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# West Europe Report

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17 April 1986

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POLITICAL

AUSTRIA

GRATZ ON CAMBODIA, EC RELATIONS, ARMS TALKS

Vienna NEUE AZ in German 24 Feb 85 p 5

AZ: Mister Federal Minister, you have called the Soviet suggestions for elimination of middle range rockets in Europe progress in the negotiation process. What do you say now to objections such as those raised by the Federal Republic of Germany in entailing that with a disarmament of the Soviet Union in Asia?

Gratz: I have already said for the first time in a lecture given in Kuala Lumpur that we are very glad that the U.S. has not abruptly rejected this suggestion. They have announced suspicions, yet have at the same time promised a serious examination of the matter. The essential thing is not to simply wipe a plan from the table. I am not a military expert, I do not know whether pitfalls are concealed in this, but that can be ascertained in any case only in negotiations.

As a small country in central Europe we are, of course, interested in seeing that the most heavily armed continent--and that is Europe, also with respect to atomic weapons--is liberated from this burden. That ultimately the relaxation of tensions between the great powers has to be on a global scale is clear to us already. Already for moral reasons no one could be for the USSR and the U.S. easing tensions in Europe and yet for shifting confrontation and rearmament to Asia. No one could favor that and it also would not work.

But we do have to begin somewhere. That everything is ultimately tied together, also the strategic weapons, also the question of armaments in space, that is, of course, clear. But somewhere we ought to make a beginning.

AZ: Key word Kuala Lumpur. You have recently visited East Asia--as Foreign Minister of Austria, but also since you have taken over the chairmanship of the international Cambodian Conference from your predecessor, Willibald Pahr. Do you see more chances for success or have you done harm to yourself?

Gratz: No, I know many Austrians are asking themselves how Cambodia may be of concern to us. But I am thinking that Austria has suffered very much in 1938, in that many countries have said, of what concern is Austria

to us? My involvement is the consequence of the reality that in the community of nations one can only receive attention and, under certain circumstances, aid, when one is in need of it, when one has not proved to be disinterested in authentic problems of other countries and regions.

In a tangible way it happened that an entire group of nations, all the ASEAN countries, through their trust in Austria, have petitioned me to assume this function.

On chances of success: There is, I believe, a growing understanding in the region for all aspects of the problem. It has been recognized that it does not suffice to repeat as stereotype the per se morally justified demand for withdrawal of the Vietnamese troops, because that changes nothing, and because a peaceful solution through negotiation can then be reached when all nations, including Vietnam, have interest in such a solution.

I envisage three problem areas: The internal situation in Cambodia, the regional side of the conflict and its international significance. In my talks I have emphasized again and again that a solution must correspond to the will of the Cambodians themselves--an externally imposed neutralization, for instance, would have to remain a piece of paper.

I have often pointed out that we in Austria have shown in the last 30 years that one can be a friend to a nation without being an enemy to another.

AZ: On Monday you will be in Brussels and will speak there also with representatives of the European Community. The problems that have threatened through the joining of Spain and Portugal have been resolved. Others are open. How will it continue?

Gratz: As far as the tariffs in the industrial-trade realm are concerned, the arrangement with the European community is now satisfactory. The most crucial in the coming time period will be the negotiations that are to be conducted between the EC and the EFTA nations on the elimination of the so-called non-tariff impediments to trade.

Of these there are a great number, not only incidental ones--restrictions on quantity in trade that ought to disappear in general as contradiction to a free market. It is a question of hindrance through variable norms, but, above all, and this will be a touchy point, of the public tenders. There are everywhere in Europe regulations that, in the case of tenders, firms in the home country are to be given preference. Thus in wide domains the common market is not at all present. The mercantile system, the desire to export with all possible force, and at the same time walling off one's own market, does not increase affluence in Europe.

AZ: But does the refusal of such a preference in the home country not bring about, particularly for Austria's economy with its smaller companies, disadvantages through tougher competition, which cannot be counterbalanced?

Gratz: Perhaps a transitional period will be required, but many examples show that smaller firms are quite capable of competition. In all nations, also in ours, a learning process is necessary in order to recognize that a perhaps temporary disadvantage brings with it in the long run an advantage. The entire Austrian industry ought to orient itself toward exporting not only our splendid specialists, but preferably our products. Because when you see how many Austrians work abroad, you have to ask yourself, if it would not have been better to have these capacities in your own country.

CSO: 3620/605

POLITICAL

FEDERAL REPUBLIC OF GERMANY

STUDY SHOWS UNION LEADERS OUT OF TOUCH WITH RANK AND FILE

Munich BAYERNKURIER in German 1 Feb 86 p 5

[Article by K.H.R.: "The DGB and its Members; Contact With Rank and File Lost; A Study by the Adenauer Foundation"]

[Text] It isn't just since the scandal about the union's own "Neue Heimat" scandal that it has been less than peaceful in the DGB. "Our colleagues are in a stinking mood. The membership books are already being thrown out," the leftist IG Druck und Papier (Printing and Paper Industrial Labor Union) wired some time ago to DGB boss Ernst Breit. But those who do not only want to notice the muffled seething in public opinion but prefer a scientific substantiation are urged to read a study of the Social Science Research Institute of the Konrad Adenauer Foundation: It is entitled: "The Labor Unions in the Judgment of Public Opinion." What is involved is an empirical study which the Social Science Research Institute carried out in November 1985 and has now analyzed. The field work was done by the GETAS Institute in Bremen.

What has long been common knowledge but has not yet gotten through to the Duesseldorf DGB headquarters, the DGB leadership can now read, scientifically buttressed, in black and white: The union leadership on top no longer knows what the colleagues below want. Fifty-five percent of the FRG citizens are of the opinion that the union leaders today no longer know what is of concern to the members and thus point out that the union leaders have lost contact with the rank and file. By the way, the same opinion is held even by 44 percent of the union members themselves and even 38 percent of the SPD followers among the union members, the most loyal among the loyal. Moreover this opinion is shared by half of the workers and 56 percent of the salaried employees. Thus this is a clear indication that the present union policy is frequently pursued over the heads of the unions' own rank and file and that the union leaders do not automatically have the support of the members in individual actions.

The power of the labor unions today causes less worry to the FRG citizens than used to be the case at the time of the SPD/FDP government. Against this background, the analysts of the study believe, quite generally there is no majority wish for a further significant change of the political importance of the labor unions--in positive or negative direction. This appears to be the prevalent opinion in "normal times." However, to the extent to which in recent years--e.g., in 1984--labor unions became active in industrial actions, the negative assessments increased greatly.

## Spectacular Actions Unpopular

During so-called normal times when the influence of the labor unions is discussed more as theoretical problems, the representation of labor union interests as a rule is treated rather mildly. However, if the labor unions carry out the forms of their representation of interests in practice, the assessment of the labor unions changes very quickly: In July 1984, after the end of the heavy industrial actions in the metal industry, this could be seen especially clearly. The majority of the FRG citizens, namely 53 percent, did not agree with the labor union's action. Even among the union members and their families opponents and proponents of the practiced forms of struggle were equally strong (45 percent each).

Anyhow in the fall of 1985, after a phase without spectacular conflicts between union and management, the people were again more content. But it should be noted in this connection that today, as was already the case in the spring of 1979, there is a big potential for dissatisfaction comprising about 40 percent of the FRG citizens over the way in which the labor unions seek to achieve their aims. It is considered especially noteworthy that this potential comprises, relatively unchanged, also one third of the union members.

Most citizens (40 percent) desire a constant influence of the labor unions. Less influence is advocated by 27 percent of the citizens, especially the self-employed, farmers, and members of the independent professions as well as followers of CDU/CSU and FDP. Thirty percent of the FRG citizens want more union influence; this wish is expressed above average strongly by those under 30 years of age, in addition to wage earners and those who are afraid of unemployment, as well as followers of the SPD and the Greens. It is notable that no less than 44 percent of the civil servants favor a further increase in power for the labor unions. The scientists explain this finding as follows: This reflects the effort so-to-speak "to balance morally their own privileged position by special sociopolitical sensitivity."

The contentment with the representation of the interests of the wage and salary earners by the labor unions continuously declines with increasing age (and thus probably with growing experience in life). Among union members who are close to the CDU or CSU, the dissatisfaction with the unions is 11 percent greater than is the case for the average of all union members. Those union members that can be politically reached by the CDU/CSU and thus cannot be one-sidedly manipulated by the circulation of millions of copies of the union press are dissatisfied particularly with the practiced forms of the representation of interests. The wage and salary earners critical of the unions predominantly come from the voter potential that is close to the CDU and CSU, and here it is especially the voters 25 to 29 years of age. Salary earners and the parts of the population who have confidence in a positive economic development practice above-average criticism of the labor unions.

The most frequent criticism of union policy is directed against its lack of an orientation towards the future. More than 60 percent of the FRG citizens, more than half the wage earners and almost two-thirds of the salary earners are of the opinion that the unions make their decisions too much based on the current state of affairs and thereby do not think enough about the future. Even the majority of the union members shares this criticism.

Almost 40 percent of the wage earners, nearly half of the salary earners and at any rate even one third of the union members criticize that the unions are not seeking long-term job security. Even 46 percent of the union members share the view that the unions concentrate too much on the interests of the jobholders and neglect the interests of the unemployed. A less than flattering judgment.

And that people such as Steinkuehler would not put away their umbrellas even though the sun was shining brightly, the people realize that, too. It is no credit for the so-called labor leaders when only a little over a quarter of the population and also a minority of the wage and salary earners believe that the labor unions would support a policy of economic upturn for long-term job security.

12356  
CSO: 3620/581

**POLITICAL** **FRANKFURT** **GERMANY** **FEDERAL REPUBLIC OF GERMANY**

**FEWER FIRST-YEAR UNIVERSITY STUDENTS: TOTAL STILL INCREASING**

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 14 Feb 86 p 6

[Article by B.M. datelined Bonn, 13 February: "Number of First-Year Students Declining; Regional Differences; Nevertheless Increase of 'Overload' Still Continuing"]

[Text] In the winter semester about to end, the decline in the number of first-year students at scientific universities as well as at technical universities has been greater than initially believed. As late as January the University Information System in Hannover had announced on the basis of a projection that the number of first-year students was merely 2 percent lower than in the preceding year. Now DEUTSCHE UNIVERSITAETSZEITUNG, based on its poll with the Land Office for statistics and the culture and science ministries, has found that the decline on a federal level is probably about 5.2 percent if the winter semester of 1985/1986 is compared with that of the preceding year.

These results nearly coincide with the figures of the Federal Statistical Office recently published. The federal office, however, combines first-year students of the 1985 winter and summer semester, thus an entire academic year and arrives at a reduction of 5.7 percent over the preceding year.

Nevertheless the total number of students increased once again during the current semester, namely by 2 percent. There are now 1.3 million German and foreign students (5.5 percent foreigners), whereby the female students with 508,000 exceeded the half-million mark for the first time.

To prevent the economizing wishes of the finance ministers threatening for this reason, the president of the West German Rector's Conference, Berchem, in a conversation with this newspaper pointed out that it will take many years until the "overload phase" at the universities will have been overcome. Especially in the popular subjects, the professors cannot devote themselves sufficiently to the students. Therefore, he said, it is important that at least in the higher semesters intensive scientific counseling and care of the diploma and doctorate candidates take place.

The West German Rector's Conference has just published a voluminous report on the financial situation of its member universities. It reveals that from 1975 to 1983 the number of students at scientific universities increased 43 percent, but the number of professorship positions by only 10 percent. The number of positions of the other scientific personnel is even declining.

12356

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

WORKERS' ACADEMY AT BREMEN UNIVERSITY GENERATES CONTROVERSY

Bonn DIE WELT in German 12 Feb 86 p 4

[Article by W. Wessendorf, Bremen: "'Workers' Academy'--a New Thing of Bremen University"]

[Text] After a long time, the Bremen Social Democrats have once again planted an orchid into the political landscape: The Academy for Labor and Politics at Bremen University. The director of the controversial adult education institute, Hans Dieter Mueller, on his work: "This is something like a historic moment, especially at a time when the labor unions and the wage and salary earners are faced with a whirlwind."

Mueller, who is likely to be elected new Bremen SPD Land chairman on 15 March, does, however, have his opponents in the labor union as well as at the university. In circles of wage and salary earners it is feared that the new institution with the pompous name will become competition for the union educational institutions.

Rector Worried About Reputation

The rector of the university, Juergen Timm, too, is worried about the reputation of the alma mater and says peaceably: "Knowledge about power is indeed to be made accessible to the general public, but scientific criteria must take precedence over political interests." He proposed seeking the exchange of experience with corresponding centuries-old educational institutions for wage and salary earners in Oxford and London.

The academy is an offshoot of the Bremen Center for Cooperation of University and Chamber of Labor, which is headed by Mueller. The 58-year-old politician, who is regarded as belonging to the left SPD spectrum, is considered father of the idea to make possible access of the workers to scientific fundamentals and research results--without entitlement to university access: "We are starting something special which, we hope, will find attention all over the FRG," rejoiced the head of the executive department for education, science and art, Horst-Werner Franke (SPD): "Thus this university sets new standards."

The expert in labor law, Wolfgang Daeubler, husband of SPD Bundestag deputy Hertha Daeubler-Gmelin, was amazed about the high participation in the first seminar. For about 400 found the way to the school at the Barkhof in the heart of

Bremen. The tradition-laden secondary school, which will shrink according to Horst-Werner Franke's controversial educational plan, in the future will be the center of the academy. Daeubler, known because of his popular contributions at Radio Bremen, sonorously: I had only figured on 30 to 40."

This first course for shop stewards and personnel officers, union functionaries and legal protection secretaries who deal with the introduction of new technology soon also separated the wheat from the chaff. The curious left the lecture hall after the one-hour lecture with the complex topic, left the academy field to 50 shop stewards and functionaries. The following week there were only 30 persons left willing to learn.

"That is how many places have been provided for the time being," Mueller said to WELT. The courses are to be held in seminar form, the model phase is to run for 4 years, a second course for a "basic study" (two years) is to start in October. The director: "Plans call for 30 places for it, too."

#### Usability Unclear

"Attendance of the academy is open to all wage and salary earners," the program for the first half of 1986 states. Mueller, with an eye to the fall: "If we get more than 30 applications, we may have to make a selection based on the biographic data concerning the motivation for advanced education." All course participants are supposed to get a certificate about the usability of which the union representatives are, however, not yet in agreement.

The academy's board of trustees with equal representation includes for the university the rector, and two additional university instructors; three representatives speak for the Chamber of Labor and labor unions; 7 lecturer positions were established; university instructors, scientific collaborators of the university and persons with practical experience from the plants and unions are to participate. The costs for noncash resources alone amount to DM 64,000 annually.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

STUDY EXAMINES TELEVISION, READING HABITS OF GERMAN YOUTH

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 28 Feb 86 p 4

[Article by bwi, datelined Mainz, 27 February: "Five Hours a Day Media Consumption"; "Youth and Media" Study; TV in First Place]

[Text] A gap in the generally voluminous youth research was closed with a study on the topic of "Youth and Media" presented on Wednesday in the Mainz ZDF (Second German Television Program) studio. The study commissioned by the media commission of ARD (Association of Broadcasting Institutes of Germany) and ZDF and the Bertelsmann Foundation is based on a representative poll of 4000 youths and young adults between 12 and 29 years of age. The results provide insight not only in type and extent of media use--the categories provided were TV, radio, sound recordings, video, newspaper, periodical and book--but they also place them in context with sociodemographic features, youth values and needs.

In general the study results confirm that the media occupy an important place in the daily life of the youths and young adults. On the average, they spend 5 hours a day with media. Sixty-one percent of the interviewees listen to radio, cassettes or records every day, 48 percent read the newspaper daily, and 47 percent watch TV daily.

In the breakdown of the time spent with the media, the dominance of the audio-visual media over the print media becomes, however, clear: Half the time is allocated to auditory media, one third to TV, and only 13 percent to reading of newspapers, periodicals and books. With increasing age, regular reading of newspapers increases while TV consumption declines in the middle age groups as part of the separation from the family and growing outside leisure time activities and does not rise again until the young adults enter working life and establish their own families. The choice of the medium is also influenced by the level of education and by the values of the youths.

The analysis of the results for shaping the programs of the TV facilities has not yet been completed, the commissioner of the ARD/ZDF media commission, Kabel, announced. Interest in the study was expressed by the youth editors of ARD who wanted to deal with the consequences of the study at an editors' conference.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

GIRLS CONSTITUTE 45 PERCENT OF 1985 VOCATIONAL TRAINEES

Frankfurt/Main FRANKFURTER ALLGEMEINE ZEITUNG in German 14 Feb 86 p 14

[Article by Wg, datelined Hamburg, 13 February: "More and More Girls Enter Vocational Training; Females Already Constitute 45 Percent of Apprentices; Men Will Soon Be Overtaken"]

[Text] According to a forecast of the Hamburg Chamber of Commerce, every second apprentice will be female as early as 1990. The share of the girls in the apprenticeship contracts has increased since 1973 from about 38 percent to 45 percent in 1985. According to the Chamber of Commerce report, in the business occupations the women have already clearly overtaken their male colleagues. Only about 40 percent of all apprentices in these occupations are men. In some categories men are hardly represented to any significant extent. According to the occupation training statistics of the chamber, their share, e.g., for training in the bookseller's trade is down to 19 percent, for druggist to 7 percent, for florist to 5 percent. Only 23 percent of the apprentices who want to become display artists are male, 20 percent of the business people in the hotel and inn trade and 20 percent of the office staff. Merely in a few port occupations (seaborne goods controllers, lightermen, inland waterways navigators) and in the case of professional truck drivers, women are not yet represented.

Even in the trades courses of training--traditionally a male preserve--the share of female apprentices meanwhile has increased to over 13 percent. Even though parity of the sexes according to the chamber is not in sight, there are individual occupations (chemical laboratory assistants, construction draftsmen, producers of printed forms and artwork, cartographers, compositors, screen printers, neon tube glass blowers as well as in the textile field), in which the women have already surpassed the 50 percent mark. As most important reason for the relative increase of girls in the trades training field, the Chamber of Commerce mentions the increasing rationalization, which replaces heavy physical labor. Nevertheless, following completion of their training, women, with noticeable frequency, change from traditional male occupations to occupations which are associated with services or to plant departments for production planning.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

LAW, MEDICINE ATTRACT FEWER STUDENTS; BUSINESS DRAWS MORE

Munich SUEDDEUTSCHE ZEITUNG in German 15-16 Feb 86 p 1

[DPA article datelined Dortmund: "Great Rush in the Business Management Field; Number of Applicants for Law and Medicine Declined According to Statistics on Places to Study"]

[Text] The Central Agency for the Assignment of Places of Study (ZVS) in Dortmund has assigned the first places of study for the 1986 summer semester to 3300 future lawyers and 1400 budding economists. Of 5300 applicants for business management, for the time being only barely 3000 can enroll. The others must wait until mid-March because the guarantee of a place to study cannot be redeemed until the "excess funds" of the Laender are made available, according to the ZVS.

Business management becomes increasingly popular among the students to be: The number of those interested increased by 900 compared to last year. In the related discipline of economics, the number of applications increased by 100. These courses of study are allocation subjects in which everyone is assigned a place and the ZVS merely acts as intermediary of the university locations.

However, the rush to the legal profession has declined: With 3300, the ZVS recorded 700 fewer applicants. At the same time, the number of candidates for medicine and dentistry declined about 14 percent. For the 4100 study places in the field of medicine, there were 20,500 applicants, 5500 fewer than a year ago. In the field of dentistry, applications declined from barely 7000 to 5300. Only about 900 of them can count on a place of study. According to ZVS, all applicants are to be informed by mid-March concerning the result of the assignment of study places.

There will be more places of study during the winter semester of the 1986/87 study year in the field of computer science: As the sixth in Bavaria, the Rosenheim Technical University will introduce this course of study. First-year students who wish to enroll on 1 October 1986 in one of the 60 study places may apply until 15 June.

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CSO: 3620/590

POLITICAL

FRANCE

MITTERRAND'S FOREIGN POLICY ACTIONS CRITICIZED

Paris POLITIQUE ETRANGERE in French 4th Quarter 85 pp 961-973

[Article by Bernard Adrien, pseudonym: "A Major Problem: Dismemberment of Foreign Policy" under section titled "Viewpoints"; passages within slantlines published in italics]

[Text] The unprecedented proliferation of international relations has entailed throughout the world a calling into question again of the administrative and policy structures that deal with them. The Fifth Republic has not escaped this process. With the release of the Racine Report in 1968, and at the initiative of Michel Debre, a set of reforms<sup>(1)</sup> was set in motion to "modernize" the state's resources for the conduct of foreign policy. The results of this operation and the orientations recently embarked upon in this domain are sufficiently uncertain to apparently warrant analysis.

/Two major and, paradoxically, opposing tendencies presently characterize the conduct of French foreign policy. The first of these is an increased "presidentialization" of this activity; the second, a trend towards dismemberment and atomization of our foreign policy./

In the past, the functions of foreign representation and continuity of policy had already been made the direct province of the president of the Republic, under regimes as hardly "presidential" as the Third and Fourth Republics. Before addressing diplomatic issues, "old Combes" used to say to his colleagues in the Council of Ministers: "Let's leave that, gentlemen; that is the business of the president of the Republic and the minister of foreign affairs."<sup>(2)</sup> The 1958 Constitution gave written confirmation to this obvious fact, affirming the preeminence of the presidential function. But the practice instituted by General de Gaulle was aimed at raising to presidential level only matters requiring such treatment. The Elysee was the decisional and power center. The Ministry of Foreign Affairs put forward the substance of the final decision and was its principal executant.<sup>(3)</sup>

Continued expansion of the foreign domain "reserved" to the Presidency has changed this system. This change, begun by President Pompidou,

received additional impetus under Valery Giscard d'Estaing's presidency and has been sharply intensified during the current presidential term.

One of its most significant manifestations has been the development of personal diplomacy at the heads-of-state level. Since 1974, Western summits have taken on a periodicity that has led the advisers of the heads of state to assume unto themselves almost exclusively the province of preparing for these summits. The diversity of problems dealt with by the advisers in the [preparatory] meetings that have now been added to the European summits has naturally led to their intervening directly in most of the domains of foreign policy. This movement has also gained strength from the exceptional increase in number of presidential trips. President Giscard d'Estaing made 18 trips in 7 years; in 3 years, Francois Mitterrand has already made 36.<sup>(4)</sup> Each of these trips provides an opportunity to strengthen personal ties and to address matters directly at the Elysee level. This is also true of the existence of the telephonic hotline and of the holding of advisory meetings within the Presidency, from where they are also followed up, of course.

African policy is also experiencing more assertive presidential intervention. Already in the past, the activity of presidential advisers, like Messrs Focard and Journiac, has permitted the head of state to follow these matters with close personal attention. Today, the activity of Guy Penne and the presence of one of the president's sons at Penne's side have strengthened this tendency. In addition to French-speaking Africa, other zones and other docketts, such as Latin America and Franco-Canadian relations, have crossed over into the immediate province of the Presidency.

The "presidentialization" of foreign policy is gaining ground in another way: appointments to office. The appointment of some 10 heads of diplomatic missions<sup>(5)</sup> from outside the Quai d'Orsay's cadres, and often from among his relatives or his political friends, provides the president of the Republic with a direct tap into the administration concerned and creates through these officials a network of relations that bypasses administrative channels. The phenomenon is particularly manifest in the case of the "major Embassies." It is reinforced where these outside appointments extend to the central administration and to entire sectors of it.<sup>(6)</sup>

In sum, the role of the advisers and friends of the president has recently been enlarged. Valery Giscard d'Estaing had already appointed Michel Poniatowski his personal representative with the title of ambassador at large. Francois Mitterrand developed this procedure, using personal emissaries systematically for confidential missions; this was the case with Messrs Salzmann, Roland Dumas, Jacques Attali and Francois de Grossouvre, and, in a more official sense, within the Socialist Party, Claude Estier, Jean Poperen and Eric Hinterman.

This concentration of powers is being accompanied, paradoxically, by a /trend towards atomization and dismemberment of our foreign policy./ This

result stems from the overwhelming proliferation of bodies sharing in it. The reason for this phenomenon is a dual one. It has to do, first of all, with the natural penchant of the state for wanting to do all things, including those in the foreign policy domain.<sup>(7)</sup> It also has to do with the fact that international activity, heretofore limited essentially to high-level policy matters, today touches on all domains of the country's life, which thus finds itself "immersed" in international relations. It follows, and the phenomenon is not new, that each and every French body operating abroad seeks to develop its own policy and its implantation there.<sup>(8)</sup> At the governmental level, the creation in 1981 of an "umbrella" Ministry of External Relations extending over European affairs and cooperation sought to take into account this dimension of the French presence abroad. It in fact reverted, under another name, to a structure that was previously used under General de Gaulle and Georges Pompidou, without succeeding, however, in channeling or coordinating the accelerated growth of the external activities of the Ministries of Foreign Trade, Industry and Energy, and Agriculture, or, for that matter, those of the Ministries of Social Affairs, Education and Culture. If anything, this "atomization" was in fact intensified owing to the personalities of ministers like Michel Jobert, Jean-Pierre Chevenement and Jack Lang, who saw fit to operate abroad with the utmost autonomy.<sup>(9)</sup> A separate place must be accorded to the foreign activities of the Ministry of Defense and to those of the Finance Ministry's Treasury Directorate, which, because of their specificity, have, each in its own domain, a greater freedom of maneuver.

It follows that the exceptional proliferation of trips abroad by ministers over the past several years is extensively exacerbating this phenomenon of atomization. Each of them takes advantage of the opportunity thus provided to engage in direct talks that naturally exceed his or her area of responsibilities, create personal networks, initiate actions that are not always coordinated with those of the other Ministries, and even to undertake commitments in excess of his or her authority. The practice of signing "administrative arrangements" has recently grown, devoid of all inter-ministerial coordination and, a fortiori, all Parliamentary oversight.

The foreign activity of economic and professional bodies and, in particular, the big French enterprises, is contributing to this dismemberment. The latter are moreover all the more tempted to play an official role, or actually led to do so, by the fact that their newly acquired nationalized status gives them a special dimension from a foreign standpoint.

The movement thus described also feeds on the role being played by the political parties in the diplomatic domain. In the case of the Socialist Party, its active participation in Socialist International, and the party-to-party missions being entrusted to its officials, are creating supplementary and privileged diplomatic channels that also feed into the Presidency, but whose ramifications are more diffused.

/The problems posed by the "presidentialization" of external activities and by the dismemberment of our foreign policy are numerous./

The first is /the risk of bad coordination of our foreign policy./ The concentrating of external activities under the Elysee is leading each new body that deals with them to install a network that will provide it with an open door to the source of power. Traditionally, three principal channels of information and decision-making led to the Elysee; they concerned the Ministry of External Relations, the Ministry of Finance (Treasury and DREE [Foreign Economic Relations Directorate]), and the Ministry of Defense. Their natural terminal points were the president's diplomatic adviser, his economic adviser and his presidential headquarters staff. These "links" have now proliferated in proportion to the burgeoning of the staff that surrounds the president of the Republic and, above all, to the number of "external" executives in the different ministries. A fourth network has made its entry in recent years--that of the Ministry of Industry--while each trip abroad by a minister or by a high official tends to create another new network.

These multiple developments should have resulted in the instituting of an effective coordinating structure. However, the Presidency of the Republic is not equipped to perform this task unaided, and the Ministry of External Relations is not being put into a position to assume it. The present working methods of the advisers in the Elysee, where personal ties and "networks" count a great deal, are conducive to vertically-oriented decision-making rather than horizontal coordination. The Hotel Matignon has never taken over in this domain. Under the Fifth Republic, its role in foreign policy is not essential. It is limited mainly to the preparation of the prime minister's trips, the number of which has sharply increased with Pierre Mauroy<sup>(10)</sup>, to certain economic and industrial affairs, and to keeping an eye on European issues whose repercussions can seriously affect domestic policy. For this purpose, a specific body--the SGCI<sup>(11)</sup>--was placed directly under the prime minister, and its secretary generalship entrusted at times to the diplomatic adviser to the head of the government.

However, over the past few years, the status of certain interministerial agencies, which have traditionally played an effective and useful role, has been very sharply diminished. This has been the case for the SGCI, whose role is now secondary in the drawing up of French positions at Brussels, and for the External Nuclear Policy Council, which has slowed its activity and has not met since 1983. This situation is creating a void that everyone is exploiting as one pleases. The contemporaneous existence of "networks," of special channels stemming from political loyalties and personal ties, with a sizable diplomatic expansion, multiplies the risks of contradictions and of competition among increasingly numerous international initiatives.

This lack of coordination can have as a consequence a /compartmentalization of the negotiations/ being conducted with another country, with Finance

possibly unaware of Trade's problems, and the latter uninformed on Fiscal or State issues. A third country, for example, could be granted a considerable easing of its foreign public indebtedness without taking the opportunity to settle thorny bilateral questions. Or inversely, and for lack of an overall view, very partial issues such as fiscal matters can contribute to the deterioration of the climate of relations between two countries, excellent though their relations might be in all other respects. These different examples are not intended to vindicate a policy of systematic "linkage" among all questions, but rather to justify a fully integrated overall approach to our foreign policy.

The "compartmentalization" of the executants of our foreign policy is at times compounded by a certain /impermeability to the actual problems of its private and para-public operatives./ Prior to a presidential or ministerial trip, the rule calls for taking stock of all the problems the French enterprises are having with the country being visited. With the exception of the largest, and aside from rare occasions when, on the contrary, they are being nonplussed by the multiplicity of their public interlocutors, our enterprises are still being consulted too little.

The second problem is the risk of /"deprofessionalization" of the handling of matters/, in favor of an analysis of the problems from the standpoint of national cleavages. The explanation is simple. New figures and "politicians" discovering foreign policy cannot resist its allure. Anxious for quick results in specific domains, and animated by strong convictions, they do not always see that the prudence of the professionals charged with its implementation is a tested method for analyzing and validating the national interest abroad in all its many aspects. Referring to the Quai d'Orsay in his most recent book, Regis Debray emphasizes the importance "of an even colder style than the others, capable of absorbing the spasms of a superheated dispute among all."(12) Although Claude Cheysson is a professional diplomat, he was tempted for a brief moment by this approach when he posited himself as the representative of Socialist France during his first trip to Algiers. Unfortunately, historical examples abound attesting to the dangers of trying to transpose domestic policy criteria abroad. It should be recalled that, in the past, all of France's major foreign policy options have been "laical" in the fullest sense of the term; that is, devoid of ideological or religious influences and of that of blocs.(13)

Another major drawback of "presidentialization" of foreign policy, and of the proliferation of "networks," is the /development of a personal diplomacy./ The dangers of this process were long ago underscored by Commynes and Richelieu. From time immemorial, misunderstandings<sup>(14)</sup> and disillusionments<sup>(15)</sup> have been its most unpremeditated fruit. These drawbacks are not limited to the Presidency. Pierre Guidoni, deputy from Herault, appointed ambassador to Madrid, for example, was unable to totally succeed in his mission, despite his qualifications and his close personal ties with Spain's Socialist leaders.(16)

The effect of these phenomena on the administrative machinery is disruptive. Frequently short-circuited and bypassed by secret initiatives and by third entities, /the basic diplomatic infrastructure is misused/ and has the feeling of being called into question again, when as a matter of fact, through its worldwide network of stations and the excellence of its communications, it handles the logistics of all statal activities abroad, whether these be official or otherwise. We might add that the appointment of numerous "nonprofessionals" in one of the state's oldest administrations, whose tradition is that of being neutral and whose competence is recognized<sup>(17)</sup>, gives it the feeling of being disavowed.

/A costly administrative disarray/ must be added to these drawbacks. An uncontrollable proliferation of offices, of official representatives, of delegations, and of services "responsible for external relations" doubles the Quai d'Orsay's existing structures without tangible benefits.<sup>(18)</sup> The French diplomatic network's incomparable stores of knowledge are thus often underutilized, when they are not being totally disregarded. True, in the latter case, the Quai d'Orsay's structures frequently intervene to rescue ill-begun initiatives. But by that time it is often too late.

Depending on the concept one forms of the external world, /various consequences can result from the phenomenon of "dismemberment" of foreign policy that has just been described./ If we consider the international scene as a big marketplace where all initiatives must compete with each other and the best of them prevail, then the present situation can well appear satisfactory. Let us, on the contrary, and more realistically, consider the external world as the scene of very harsh clashes of interests, in which our current dismemberment conveys the image of a troop dispersed before even having met the test of battle. In actual fact, it appears quite evident today that the multiplicity of international relations and of the entities that deal with them not only does not render unnecessary the defining of a foreign policy, but, on the contrary, renders it ever more indispensable. Faced with economic crisis, faced with security problems, every country strives to mobilize its energies, define its priorities, and consequently to concentrate its efforts, during the time involved, on a few essential points. /In our own situation, France cannot escape this imperative. It is clear that we must maintain the unity and coherence of our foreign policy and therefore set limits to the current dismemberment of the resources we are required to commit, ensuring their compatibility with the policy orientations we adopt and permanence of the action undertaken./

The "presidentialization" of foreign policy, and hence the centralization of the decision-making process, is normal. But it must no longer result in dispersion at the level of its implementation.

Our present institutions provide a framework suited to the attainment of this objective. Various steps have already been initiated; their rationale should be pursued at two levels: That of the /juridical means for the

coordinating of foreign policy/ among the governmental departments; and that of the /material means/ for effecting this coordination and hence for the upgrading and modernization of the French diplomatic instrument.

A considerable step was taken in 1979 in the direction of coordination of our foreign policy. The decree of 1 June 1979 redefined in depth the /responsibilities of the chief of a diplomatic mission./ Ambassadors, as the direct representatives of the head of state and of each of the ministers, and having authority over all the services of the state abroad, now have at their disposal the juridical means for ensuring the unity of our foreign policy in their country of residence. Now they must be given the material means to do so. With economy in mind, and as is done in the United States, the Ministry of External Relations should provide the logistical support of all administrative presence abroad.(19) Equivalent provisions should exist with regard to personnel.(20)

In Paris, the confused situation that reigns among government departments necessitates several clarifying measures. The first thing that needs to be done is to decide where the coordination of foreign policy is to take place. A presidential formula of the American type would involve the creation of a "foreign policy council" under the direct control of the Elysee, modeled on the "National Security Council" created in the United States in the immediate post-war period to remedy this same type of problem. A formula more in keeping with the spirit of the institutions of the Fifth Republic, which calls for the presidential function to be not operational but decisional and continuative, would be to /reaffirm in the legislation and in reality the interministerial coordinative function of the Ministry of External Relations./ This would avoid the contemporaneous existence of an overstaffed "National Security Council" and a Ministry of External Relations which, in the United States model, is more often than not at the origin of sterile bureaucratic strife and distressing delays.

A decree would be necessary to confirm the External Relations Ministry's mission of coordination and negotiation. It should be accompanied by measures of a financial order placing the main expenditures on activities abroad under this ministry's budget. Concomitantly, the structures of the Ministry of External Relations should be adapted to this interministerial task.(21)

With economies and streamlining in mind, the multiple administrative structures that have sprouted up in all the ministries for the purpose of operating abroad should be reexamined by the Office of the General Inspector of Finance or the Audit Office in the light of their cost and their effectiveness. Certain steps should be taken towards simplification. These would facilitate the remedying of the paradoxical situation that exists today, in which the principal entity responsible for foreign policy direly lacks the needed means while other "non-essential" structures are burgeoning beyond control.

Other measures could be instituted. The bill that is under study, relative to the merging of the former services of the Ministry of Cooperation with those of the Ministry of Foreign Affairs, will, if enacted into law, facilitate progress towards unification of our foreign policy.

To effectively carry out its functions, /the Ministry of External Relations must be provided with the necessary means to do so./ This small administration (6,637 employees in all categories in 1978) has succeeded, with a reasonable staff increase (1,548 employees) since 1948, in coping with an explosive proliferation of its tasks.<sup>(22)</sup> Today, only a stepped-up modernization effort, particularly from the standpoint of data processing and use of the most recent communications techniques, will enable it to avoid a staff increase and to maintain the flexibility it needs to perform its coordinative functions. In 1979, a 5-year plan to upgrade the Ministry's means was launched by Minister Guiringaud. It would undoubtedly be desirable, in the present circumstances, and after several years of meager budgets, to resume a program of this type that would equip the Government with the high-quality professional instrument it needs.

But it would also improve the unity of our foreign policy if those who define it and implement it were in closer contact with all their public and private operatives in the field. The administrative structures of the Ministry of External Relations are already in close touch with the enterprises and universities. Entities such as the Analysis and Forecasting Center carry on this dialogue in a systematic manner by consulting and bringing the officials of private firms and university researchers into close contact with their work. Such consultations could be put on a more regular footing, as has been done in Switzerland, for example, and in France on an exceptional basis by the Planning Commission, by creating foreign policy consultative committees on which recognized authorities in all walks of our social life would be invited to sit as experts and for a limited duration and specified task. It would also be desirable to provide for and encourage the moving of diplomats into the business world, as was advocated by Minister Cheysson.<sup>(23)</sup> It is equally necessary that the Ministry of External Relations diffuse, on a very extensive basis, the mass of information it has at its disposal with regard to foreign countries, and that it contribute in this manner to sensitize public opinion to our external imperatives.

/These are some of the conditions necessary for the unification of France's foreign policy/ and thus to equip her with a modern and effective diplomatic instrument. They do not involve a juridical or administrative upheaval, nor, for that matter, any major financial outlays. A decree, modeled on what was done in 1979 for ambassadorial powers, should redefine the functions of the Ministry of External Relations with respect to coordination and negotiation. Concurrently, administrative and financial cutbacks with regard to the international services of the different ministries should be instituted and would be the source of sizable economies. And

finally, a budgetary outlay--limited by nature, since it would be based on a budget that represents 0.93 percent of that of the state--should be provided for. This would attest to /the state's intent to restore operability to a domain whose dismemberment is today incompatible both with France's long-term interests and with the immediate imperatives of her security and her external economic balances./ The Fifth Republic would, in this way, continue the ongoing upgrading of the state's structures, which, from the outset, has been its principal objective.

#### FOOTNOTES

1. Continued by some of Michel Debre's successors, and particularly by Louis de Guiringaud, Jean Francois-Poncet and Claude Cheysson.
2. Joseph Caillaux, "Memoires," Vol 1, Plon, 19422.
3. R. de Saint-Legier, "De Gaulle et le service de l'Etat" [De Gaulle and Service of the State], Plon, 1977: "Conduct of Foreign Affairs" pp 220 and 228.
4. These figures do not include the multilateral meetings of the African and European summit types, the bilateral Franco-British and Franco-German meetings, or the special trips (Beirut, funerals). Cf. Michel Schifres and Michel Sarazin, "L'Elysee de Mitterrand" [Mitterrand's Elysee], Editions Alain Moreau, Paris, 1985, p 200.
5. From 1981 to 1983, Washington, Rome, Madrid, Copenhagen, The Hague, UNESCO, Libreville, Kinshasa, Abidjan, ambassador-at-large in South America, Victoria.
6. The appointment of an industrialist as secretary general, the systematic appointment of university professors to the positions of responsibility in the General Directorate for Cultural, Scientific and Technical Relations.
7. Thus, for example, a legitimate question arises as to whether it is the role of the state and whether it is effective, in a country, to assign responsibilities to numerous teams of government officials for the promotion of exports, or whether this role should not rather be assigned to private entities with more determinative motives. This function is principally, and effectively, performed in the FRG, it seems, by the Chambers of Commerce.
8. "It is the dream of every service to represent abroad, by its own means, but always at the expense of the state, the interests it is responsible for defending" - Rene Massigli, "De quelques maladies de l'Etat" [On Some Disorders of the State], Plon, 1958, pp 31, 32.

9. For the first time, in 1985, the budget of the Ministry of External Relations is no longer the highest expense budget abroad. It has been displaced by that of Finance.
10. For example, in 1983, the prime minister addressed the UN General Assembly, a very isolated event in the tradition of the Fifth Republic, which reserves this type of intervention to the minister of Foreign Relations.
11. General Secretariat of the Interministerial Committee for European Economic Cooperation Matters.
12. Cf. "La puissance et les reves" [Power and Dreams], Gallimard, 1984.
13. The Capetians between the Emperor and the Pope; the "very Christian" Kings Henry IV, Louis XIII and Louis XIV versus the Catholic Hapsburgs; the progressive Third Republic and the "conservative" Russian Alliance; and General De Gaulle and the USSR.
14. By way of recent example, the misunderstanding between Jacques Attali and the advisers to the President of the United States, regarding the lifting of the embargo against the shipment of equipment for construction of the Siberian gas pipeline.
15. Since the start of the summits between the heads of state of the principal industrialized countries, there have been very few of them, and principally that of Versailles and that of Williamsburg, that have not been the source of profound disillusionments.
16. Alfred Grosser called Pierre Guidoni's mission "a total failure" as an example of personal diplomacy.
17. See J.-B. Duroselle's assessment of the quality of his work during a particularly difficult period, in "La Decadence" [Decadence] (1932-1939), Imprimerie nationale, Paris, 1979, pp 269-281.
18. Among the most striking examples: The dockets compiled by the bilateral bureaus of the DREE and the Ministry of Industry have the same use and the same content as those compiled by the Quai d'Orsay. A structure charged with placing French officials in the international organizations, and that reports to the prime minister, has for 3 years been duplicating the work of the Quai d'Orsay's service whose responsibility this is.
19. The /Administration Officer/ of an American Embassy provides the administrative support (pay, premises) for all the American services and agencies in his or her country of residence.

20. All budgetary positions abroad should be transferred to the Ministry of External Relations. All officials stationed abroad would thus be on detached duty with this Ministry. While fully respecting the specificity of the other ministries as third parties, this formula would facilitate the maintaining of an overall view of the French presence abroad.
21. In this regard, the secretary general of the ministry could be assigned the specific mission of interministerial coordination, which would be in keeping with the original intent, in that, the first holder of this position, created in 1915, exercised the function of providing administrative coordination in time of war. Moreover, each major directorate of the ministry should have the function of interministerial secretariat in its own domain.
22. In 1948, there were 65 countries in existence, versus 149 in 1978. The number of diplomatic and consular stations increased from 213 in 1948 to 317 in 1978. In 1948, France participated in 20 international conferences, and in 290 conferences in 1978. In 1948, 90,000 telegrams were exchanged between Paris and stations abroad; in 1978, this figure totaled 1,400,000.
23. But contradictory measures have been passed in this domain. Some sought to organize this move to the private or para-public sectors; others laid down a whole list of incompatibilities with respect to activities of diplomats in their former countries of residence.

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POLITICAL

FRANCE

CFDT MAIRE EXPLAINS NEW DOCTRINE

Unions Need Reforms

Paris LIBERATION in French 5 Mar 86 p 2

[Article by Martine Gilson: "Edmond Maire Clears the Tables of Union Law"]

[Text] Edmond Maire has just released his latest union doctrines--discreetly and on his own recognizances--in an in-house CFDT newsletter. In it he sweeps aside the three pillars which had supported his organization since 1970, and speaks of business firms as places of cooperative opposition, where the bosses are no longer all black nor the workers all white. In the space of a few pages he wipes out all the basic anti-capitalist convictions (See p 2), and these pages will be food for thought for anyone who feels that he has exhausted his thinking on this subject (See p 3).

Breaking the taboos of the trade union bureaucracies has never frightened the secretary general of the CFDT. He does so once more in an article published in the newsletter CFDT TODAY, rejecting indiscriminately the "designs" that continue to clutter the table at sectional meetings, including those of the CFDT concerning business firms, anti-capitalism, the individual and of course trade-union activity. Thus he personally knocks over the venerable pedestal on which was mounted the press confederation. "That was the era during which we were very much constricted by the events of May '68, when the CFDT was entering, with youthful spirit, upon its socialist career. Things were not so bad, but we had a Manichaean view of capitalism: all black."

But to return to 1986, the CFDT, according to its secretary general, must today "examine much more in depth its conception of business firms.... To deny the specific function of the CEO leads to a dead-end.... The function of CEO, a specific, legitimate and permanent function, does not strike us as capable of ensuring a broad collective deliberation." Edmond Maire takes up the distinction in terms of two systems of logic, that of the worker and that of the director. Now mind you, the recognition of these two logical systems "in no way leads us to come out in favor of joint management." Quite the contrary: "Two systems of logic are therefore basic to our thinking. But to stop there would be a bit short-sighted." Between these two systems, there cannot but be "tensions," that Maire would henceforth call "cooperative opposition"--a confrontation that is "explicit, open, between two systems of logic called upon to

work together, each with its legitimate existence and each one in harmony with its own perspective. Neither trench warfare nor sacred union." A happy medium of sorts.

#### "Capitalism Is No Longer What It Used To Be"

A happy medium that leads Edmond Maire's thoughts straight to "anti-capitalism." Of course "battling bosses" still exist both in France and in the rest of the world. But notes Maire, "Capitalism is no longer what it used to be." No more Manichaeism, then. No more all white on one side, that of the workers, and all black on the other, that of the bosses. The class struggle no longer explains everything. A plague on those old boasts of a break with capitalism: "A dangerous illusion and one that is not operative." "Making this first remark," pursues the secretary general of the CFDT, "does not lead us to a surfeit of what is fundamental to our anti-capitalism. We are even all the stronger and better founded to combat the excessive, abusive character of the power that the CEOs of French business firms arrogate to themselves, in that we recognize that they have a specific and legitimate function." And Maire then brings up all that has changed in the narrow definition of the Marxist version of capitalism. In speaking of private ownership of the means of production, he says that the distinction "has gradually taken place between property rights and management rights in a slow progress towards individual democracy." The CFDT still believes in the usefulness of "instigative democratic planning," but it recognizes "the irreplaceable dynamism of the market as a factor in modernization and adaptation, and as an ultimate guarantee of respect for individual choices." "We are thus not back at the level of the original brand of capitalism, nor are we subject to any of its principal aspects. The law, the employee under contract and the relationship between permanent forces have limited what was arbitrary, reduced abusive power and imposed a partial accounting on other criteria of economic behavior." No more basic anti-capitalism, then, but onward to an anti-capitalism "without oversimplification."

#### No Taste for Totalitarianism

"For a long time now we have not sought the total suppression of private ownership of the means of production," says Maire. "We do not want the market to disappear. We do not dream of a total disregard for the social division of labor, since, not having any taste for totalitarianism, we do not aim at the impossible situation where we are at one and the same time governors and governed." A plague on all absolute visions; "We reject any world vision that claims to be transparent and similarly any project of a capitalist 'system' that is perfectly self-regulated, and in fact any achieved socialist 'system.' These two poles," he says, "are equally favorable to totalitarianism."

#### A Collective Updating

Capitalism is no longer what it was? Trade unionism must become something other than what it is. The goals of the CFDT have certainly been confirmed: to change work practices and promote another type of development. But that no longer suffices. And the holes in the fabric foster a certain scorn of the individual, with a capital I. "We have granted an exclusive priority to the forces of unification; it is high time to make way for legitimate expectations." Thus a close-up on the individual as well as on the individualization of salaries.

"The categories of labor are most abusively equalized today: the highly qualified worker is paid on a par with the unskilled laborer." "When workers wish to see the reestablishment of a workers' hierarchy, they express the desire of existing on their own and having their own potential recognized." The return to individual aspirations, according to the secretary general of the CFDT, in no way implies an abandonment of the solidarity so dearly cherished by the central office. "To act on behalf of the individual, on the other hand, in no way prevents a person from seeking answers capable of binding the individual to the collective or forms of individual stimulation which encourage cooperation." While nevertheless remaining bold enough to disengage themselves from the excesses of equalitarianism, trade union organizations will find it sufficient to work up for themselves a few assertions that express recognition of the individual, among others, the right to professional training or the evaluation of the individual and of his "assent."

No longer will the CFDT map out its route on the basis of pre-conceived guidelines, without sacrificing on the altar of modernization the fundamental goals which "our collective history" established for union activity. It is at such a cost, according to Edmond Maire, that the trade unionism of the year 2000 will build its future. This personal contribution of the secretary general of the CFDT should be interpreted as a "collective updating" of the CFDT doctrines, a revamping which should not be made without certain painful changes inside the central office.

#### 'Courageous', 'Provocative' Attitude

Paris LIBERATION in French 5 Mar 86 p 3

[Article by Pierre Briancon: "The Touching Trip to the End Goal of Self-Criticism"]

[Text] A long-established rightist-leftist consensus hails the "courageous" stance of Edmond Maire. Whether it be strictly trade-unionist or political, understood in the broader sense, whether it has to do with matters considered classic, within which others preferred to restrict union intervention or with the questions that disturb public life (such as the debate on severity of interpretation, eliminated by Maire before the government laid hands on it), this behavior had always been accompanied by a slight dose of masochism which--by force of tradition--had marked the life of this central office, always a bit peculiar and lagging behind, even in its own periodic re-centerings.

The unprecedented and persistent crisis in French trade unionism, occurring simultaneously at the base (the membership) and at the summit (the ever more controversial representative functions of the central office) has made the stance of the CFDT, and more particularly that of Maire, look pathetic and touching. And this pathos today seems to take precedence over the former courage, like a cocktail which is altered by an excessive amount of one of its ingredients, like a glass of pastis to which water is being incessantly added.

It is always a step ahead in the reckoning deemed desirable in the case of economic realities, but never behind when it comes to questioning the future of

trade unionism, or analyzing its own past conduct. But what appears at the outset to be a bold departure--"for a trade unionist"--may, in terms of the progress thus made, be interpreted as an ever clearer rapprochement of positions that have become progressively dominant in a society that moved ahead more rapidly than the average unionist self-analyses, and more rapidly than Edmond Maire himself. And that in fact is the crux of the problem.

And at the same time, what may appear as intra-union "courage" is transforming itself into a pure and simple social alignment. The movement is confused, and progress and regress are muddled together. Or put another way, the road followed by Edmond Maire is beginning to look like a form of impoverishment, in that one sees clearly what trade unionism is losing as it more and more frequently endorses the values "of businesses" by insisting on "individualism," by warning that the "anti-capitalist" stage is obsolete. But it is not yet clear, apart from the pleasure of lucidity, what has been gained by this, except for increasing the critical disorder of things.

It is only with great difficulty that one could deny that Edmond Maire's brand of reasoning harasses the trade union movement, without at the same time ignoring the individualized nature of its self-analysis, which the article in CFDT TODAY takes into account. Who else but Maire could get people to read 20 leaflets filled with complicated questionnaires, couched in a second-leftist French that is absolutely untranslatable into any other language?

But if one reads on to the end, it is so that one may know how far he will go. How far will he drag out this exhibition, pushed to more absurd lengths of futility than anything that had preceded it? How much pleasure can there be in trampling down the older among the more sacred cows?

Maire's lucidity gradually increases its share of destruction and leaves in limbo the questionnaires, which are finding fewer and fewer answers. To speak of rehabilitation of the CEO's function at a time when--to move ahead--Tapie is gathering more than 6000 people at Bercy for his televised show, is tantamount to being several wars too late regarding the movement of a society; it is also tantamount to holding to a line of talk which no longer addresses itself to anyone but the unionist bureaucracy, which alone remains to be convinced, without furnishing the followers already abandoning ship with the reasons for reversing their race home.

If Maire's lengthy text can stand its ground at all today as a significant event, it is because he makes note of the impasse by abandoning any attempts to get out of it--except for insisting on the ritual references to the need for more in-depth research.

The contradiction in Maire's line of thought is that he is claiming to renew trade unionism by holding to a philosophy that seems more and more limited to his in-house use, whereas beyond CFDT horizons it is clearly associated with the majority. The article published yesterday sounds like a last will and testament, which would be the final destination of a trip to the end goal of union self-criticism. Others will no doubt have to clean up the ruins.

POLITICAL

NORWAY

**POLL FINDS MIDDLE PARTY VOTERS PREFER COALITION WITH RIGHT**

Oslo AFTENPOSTEN in Norwegian 15 Mar 86 p 3

[Article by Alf Seeland: "Greatest Confidence in Nonsocialist Government"; first paragraph is AFTENPOSTEN introduction]

[Text] A majority of 53 percent of the voters believe that a constellation of nonsocialist parties is the most stable government alternative. The existing three-party cooperation has greater confidence. Thirty-four percent believe that it is most realistic with the Labor Party [AP] alone or together with the Socialist Left Party [SV] in the government. Only a declining minority of voters in the middle parties desire to cooperate with AP and SV, while there is confusion in the Christian People's Party [KRF] in its appraisal of the Progressive Party [FRP].

These main features came out in a poll conducted by Gallup/NOI [Norwegian Institute of Public Opinion] for AFTENPOSTEN, and the voters were asked which constellation has the greatest chance of supporting a stable government alternative. They were also asked which government alternative the voters wanted, and finally what attitude the government parties should take toward FRP.

**Not a Conservative [H] Government**

A purely H government was considered realistic by only 10 percent of the voters, and only 18 percent wanted it. In political quarters it is only Carl I. Hagen and his group who have pushed this possibility, and it is typical that less than one-fourth of H voters see this as realistic, while one-third of FRP voters do. Forty-eight percent of H voters desire that the party govern alone.

Despite a significant spread in the answers it is today's government cooperation which wins the greatest confidence with 31 percent, while 12 percent believe that Hagen and company could advantageously be taken in. Twenty-one percent have confidence in a purely AP government in the current situation, and 13 percent believe that the largest opposition party can take SV with it into the government. Twenty-eight percent desire a pure AP government, while 15 percent want SV included.

## Message to Center Party [SP]

Only seven percent have confidence in an alternative with AP, SV and one of the middle parties, and only six percent desire such a solution. With the proviso that SV as a partner could have frightened a number of middle party voters, one finds here one of the poll's most interesting features: None of the SP voters have confidence in such an alternative, and only four percent desire it. That is a message that the national directors of the SP are taking with them when the party assembles in the next few days. After the recent debate about "counter forces" within the party, which are notorious within certain representative circles, it turns out that 65 percent of SP voters prefer the formation of the present government, and 23 percent want to try and have Hagen in the cooperation.

The greatest satisfaction with the existing government cooperation is found in the KRF. Fully 75 percent find the three-party cooperation most desirable, and 71 percent believe that it is the only realistic constellation. In this party five percent want to cooperate with AP/SV, while eight percent find such a solution realistic.

### A Lesson

Seen in total the poll is a lesson for nonsocialist party leaders. Their voters have, to a greater extent than spokesmen for the middle parties, realized the necessity of the budget agreement which was entered into before Christmas, and which guaranteed the government's existence. Nonsocialist voters clearly prioritize the cooperation between the three parties, but they are also showing a clear desire to regulate in a sensible way the relations with the middle parties, something which most observers also see as a precondition for the Willoch government to survive the next budget debate.

Sex, age, dwelling place and education do not make a dramatic difference in the poll. As expected, confidence in a pure H government--24 percent--is highest in Oslo/Akershus, and altogether 67 percent of LO [Federation of Trade Unions] members desire a socialist government. On the other hand an absolute majority of men recognize Hagen's place among the nonsocialist majority, while only 37 percent of women take the same attitude. This corresponds to previous polls and election results which indicate that FRP has a decisively stronger standing among men.

One does not find the modest degree of support for an AP government together with one of the middle parties in the countryside of Ostlandet and in the newspaper OSTLENDINGEN's field of fire, but on the contrary in Trondelag and North Norway. But even there the support is only 10 percent.

And Carl I. Hagen and his party should know: The age group 15-29 does not show higher numbers for the desire to have the party in the government, or for recognition that FRP is a part of the nonsocialist majority--in the parliamentary sense.

## Unrealistic With AP

Socialist voters understand the difference between the desirable and the attainable. In the poll 60 percent of AP voters look forward to AP taking over the government and 22 percent desire it in cooperation with SV. But only 43 percent believe that this is realistic at this time, and the same 22 percent believes that they can move into the government offices together with SV.

These are the figures on the SV side: 15 percent believe in a pure AP government, but only 13 percent desire it. A government cooperation with SV is something that 47 percent believe in, while 67 percent desire it.

Support from LO members is a little less enthusiastic: 31 percent believe in, and 45 percent desire a pure AP government. Government cooperation between AP and SV is considered realistic by 22 percent within LO, and the same percent desire such a government solution.

A socialist government cooperation with one of the middle parties is considered as both unrealistic and undesirable by most--in reality only one in 10 voters believe that this has any merit.

The decisively greatest support for a socialist government exists among voters with only a grade school education, while AP is still having difficulty getting support from voters with higher educations.

Also among the socialist voters there is a strong degree of recognition that FRP belongs to the parliamentary foundation of the Willoch government.

## FRP Part of the Majority

Almost half of the voters in the poll--45 percent--believe that it should be recognized that the FRP is a part of the nonsocialist majority, while another 18 percent believe that Carl I. Hagen and his group should be drawn in to the government cooperation. Thirty-three percent want nothing to do with FRP, but this figure also includes the socialist voters.

Among H voters 25 percent believe that Hagen must be in the government, and 55 percent believe that FRP belongs in the majority. More unexpectedly, only 38 percent of FRP voters desire the party to enter a nonsocialist government, while 14 percent want to remain totally isolated in Norwegian politics.

The greatest aversion to FRP is found, not unexpectedly, in AP and SV, by 43 and 47 percent respectively.

A more unexpected spectacle is shown by KRF voters. After the party leadership spent much of its time rejecting Hagen and everything he represents, it turns out that the party is split into three parts: 23 percent want Hagen in the government, 35 percent recognize that FRP is a part of the nonsocialist majority, while only 37 percent turn their back on the two-man group in the Storting.

Among the SP voters 14 percent want FRP in the government, 56 percent recognize that the party is a part of the nonsocialist majority, while 28 percent turn their backs on FRP. Also in this party the leadership has thundered that it will have nothing to do with FRP, and the poll confirms on this point what has so often been experienced: There are differences of opinion between a party's representatives and its working people and voters.

9287

CSO:3639/90

POLITICAL

NORWAY

#### LEADERSHIP CHANGES MAY HIGHLIGHT UPCOMING PARTY CONGRESSES

Oslo AFTENPOSTEN in Norwegian 15 Mar 86 p 3

[Article by Bjorn Talen: "New Leaders--and Policies?"; first paragraph is AFTENPOSTEN introduction]

[Text] The program for this spring's national congress season is not so full as in an election year. Neither the Labor Party [AP], Center Party [SP], Christian People's Party [KRF] or the Socialist Left Party [SV] will have a congress this year. But nevertheless there will be national congresses every single weekend from Easter through April. And when it is all over the Conservative Party [H] will have moved out two-thirds of its top leadership, the Liberal Party [V] its leader and perhaps its policies, and who knows where the Progressive Party [FRP] will jump next time.

The first is FRP, which is holding its congress in Oslo on 5 and 6 April. Nobody will run the risk of provoking Carl I. Hagen into putting his leadership position at stake, but there will be a number of waves over the party's standing and performance in parliament. For the moment neither Hagen nor the party are in special focus. Actually it is the vice chairman Hroar Hansen who, with his Sunday paper and fight with the typographers, has most often been in the media.

Most interest is focused on the largest government party which is meeting the weekend after, also in Oslo. Chairman Erling Norvik will then be thanked for his long and strong inputs to the party, and Rolf Presthus will take over the blue mantle of leadership. The nominating committee has also recommended the reelection of Kaci Kullman Five as first vice chairman, while the nomination of the popular Tromso chairman Erlend Rian as the new second vice chairman must be interpreted as an accomodation to the strong demands out in the party for better representation for district Norway in the H leadership. Rian will replace Arne Skauge, who has refused reelection and will probably be the new finance minister.

H has already earlier this year acquired both a new secretary general with Svein Gronnern and a new chief of information with Arve Mathisen. Only time will tell how strong the new team will be. But the Conservatives' planned new freedom campaign will get its starting shot at the congress, and that will give the debutantes a fine reason to show their faces. Money problems,

however, can cause troubles for the new leadership and limit the possibilities for getting maximum political benefit from the freedom campaign.

The Liberal Party congress at Haugesund the following week will hardly have as great importance for the nation. But the top leadership of this little party is also of certain interest. Odd Einar Dorum will be followed as chairman by Arne Fjortoft, in whom great expectations have been placed. The congress will give him a reason to show himself. More important than the personnel shift is the debate about which political course V will follow. The report of the "Havari [Shipwreck] Commission" will be the basis for discussion, and it is an entirely open question as to how V will or can again be noted as a clearly nonsocialist party. Large groups in the party want to put the restoration of the liberal profile first on the agenda, while others fear that will go too far. The outcome can be decisive for the party's appeal to broader voter groups and thereby also the possibilities for an eventual comeback in the Storting.

In any case the Liberal People's Party [DLF] will closely follow what is said and done at the V congress. It will have great influence on what position DLF will take on cooperation with V for again raising a kind of liberal center alternative. Therefore it is appropriate that DLF concludes the season with its congress at Asker 26 and 27 April.

9287

CSO:3639/90

MILITARY

FEDERAL REPUBLIC OF GERMANY

LACK OF PROGRESS ON NAVAL AIR DEFENSE MISSILE CRITICIZED

Bonn WEHRTECHNIK in German Mar 86 p 13

[Commentary by Wolfgang Flume: "RAM--The 3-Year Missile"]

[Text] It has been obvious for a long time that something must be done for air defense of the Navy's ships and boats. Efforts to develop an air defense system for this purpose date back to the 1970s. KUMA and Flam-80 are just two code names for studies behind which some quite modern looking missile systems were hiding--among other things, vertical launch had been proposed. But every new development is accompanied by great expense which is impossible to bear by one nation alone. Small wonder that the American siren song found a ready following, when a pat solution was proposed: all you do is take some proven components from SIDEWINDER and STINGER, add a few new components, which can be developed quickly and cheaply, and there you have the fire-and-forget anti-missile system for the Navy. Who would have turned this down, considering the nominal German share of development costs of about DM 100 million? And the system would be operational in 3 years--after a few minor test flights.

No one can be blamed for having accepted this tempting offer. Today, many long years later, the technical decision for RAM is still valid--but all pertinent factors have changed. Development is taking considerably longer than had been anticipated, but most important: the cost of the 49 percent German share has already grown to DM 300 million. Another DM 240 million is being asked for today (who knows how much more tomorrow) to bring the development to what is hoped will be a successful conclusion. The Danes, who originally had a 2 percent participation, have given up on it and have bailed out.

Little good could come from putting the blame for all this on the general contractor, General Dynamics, which is under heavy attack in the United States anyway--it would be more useful to take a critical look at the state management organization.

The United States is unquestionably the leading nation, despite the few participating German engineers, thus creating what is referred to as an "integrated" management team. This in itself would not be so bad, if the U.S. Navy (which wants to use RAM as a backup for some of its SPARROW launchers) were fully supporting the program. In contrast to the German Navy, which has a crying need for the RAM, this is not the case on the other side of the Atlantic. We are now bearing the consequences of this and have learned this lesson: in his

very own interest, only he should be the leader who has the most urgent need. And if that cannot be done, for whatever reason, and there are problems, the partner must quickly and loudly raise hell--sweeping things under the rug and appeasing accomplishes nothing--despite all the occasionally appropriate "diplomatic" conduct.

Small wonder that the holders of the purse strings--budget people and members of the parliament--have become skeptical of the Navy's statements. Are the present requests for money truly the last ones? And what assurance is there that the technical problems can be satisfactorily resolved--the project has after all been beset by problems for years? Are there any alternatives; and if so, what are they?

It is in the Navy's own best interest to stick with RAM, because from the point of view of performance capability and ease of installation aboard destroyers, frigates and speedboats it is unequivocally the most suitable Seaskimmer defense system. If RAM were to be abandoned for whatever reasons, a replacement for it would be difficult and would surely create a great deal of controversy. Compared with RAM, every other system has its disadvantages, especially with respect to integration aboard ships and boats. This is true for the SEASPARROW (which is already partially operational in the Navy), as well as for the French CROTALE-NAVAL, the British SEAWOLF and particularly the Israeli BARAK. The race would then have to start again from scratch--perhaps even for gun systems, of which the Navy is not at all in favor at this time.

Now is the time for some very careful decisions. In any case, the armed services appear to have learned one lesson from the RAM dilemma. As the chief of staff of one of the services said to WEHRTECHNIK: "I never want to see another guy who proposes a system to be glued together from previously proven components."

For all the criticism that is being leveled at RAM, there is one aspect of the program that is free of problems: RAM is constant and therefore calculable. The statement, made years ago, that RAM would be operational in 3 years, is still valid today.

9273/12790  
CSO: 3620/616

MILITARY

FINLAND

### OFFICERS FIND ARMY'S SMALL SIZE MEANS STRESSES ON CAREERS

Helsinki SUOMEN KUVALEHTI in Finnish 7 Mar 86 pp 8-10

[Article by Jukka Ukkola: "Officers' Career Course Is Narrow and Crooked"]

[Text] Finland has a small, poor army, but it is not so small and poor that we would get caught up in a crisis if a couple of generals were to retire earlier than usual.

Nevertheless, officers seem to have a bit of difficulty in staying serious amidst improvement plans, troublesome promotion and paperwork.

When it recently became known that nearly 10 percent of Finland's generals (that is, two major generals) are going into "early" retirement, people began to suspect that there is something so wrong in the military that the celebrated "v-curve" among recruits is rising in the higher echelon or that civilian mentality has extended itself to the generals.

They dispute such claims in the Armed Forces and the Defense Ministry. Both Armed Forces Commander Jaakko Valtanen and Defense Ministry Office Chief Aimo Pajunen let it be publicly understood that personal reasons and chance were involved.

It just happened to be the case that the resignations of two generals, such resignations being rare in themselves, occurred at the same time. General Staff equipment chief Maj Gen Uolevi Anthoni felt that he had gotten into a credibility crisis since he was not, according to expectations, appointed General Staff military economy chief, but intelligence inspector Col Raimo Penttinen was promoted to that post.

As for the commander of the Northern Finland military district, Maj Gen Erkki Laatikainen, as early as a year ago he announced that he would retire next summer for family reasons. If he had wanted to, he could have gone into full retirement as long ago as 11 years ago. The fact is that retirement is not dependent on age, but on years of service. From the rank of major on 25 years of service are required for full retirement.

### Disgustingly Undramatic

Valtanen no more than Pajunen wanted to say any more about the affair. Pajunen merely reminded us that the historian's biggest mistake is to presume that things that happen at the same time are the reasons for or the consequences of others.

The controversy made Laatikainen laugh, since "newsmen write about matters about which the poor things don't know anything at all."

"This is disgusting. It's downright galling, since there is no way that this resignation could be construed as dramatic. I certainly am a staunch supporter of the Finnish Government; I will after all be in service or in the reserve. I am simply putting on a felt hat, will be moving my residence to Helsinki and will sit here wondering why these people in Helsinki are always so busy, why they're always in such a godawful rush."

Laatikainen is departing for civilian life in grand style since one of his last official duties will be a national Armed Forces parade with flags unfurled in Oulu on 4 June. "It will be a good-looking affair. I won't be leaving as if it were from a hut made of pine branches."

### Officer and Office Worker

So, although a sudden revolt of the generals is not in progress, discussion has recently been engaged in which indicates that Finnish officers are not quite satisfied. The course their careers follow is not at all as straight as it seems on the surface, they are rather short of help and they have been especially burdened with considerably more office work.

The change in the nature of their work may be traced back to as early as 1970, when officers were transferred to office posts, that is, "a group of professionals who were averse to being ranked in the same category with office workers were forced to be like them."

Particularly in the initial stage, a modern peacetime officer's job is not especially turbulent, unless handling paperwork can be considered to be such: A military commander's first task is to learn his unit's SOP, standard operating procedures, so that he can do his job properly and fill out forms.

In the old days an accounting of per diem allowances and supply strength was sufficient, but in the present-day bureaucracy keeping track of the number of hours worked, reporting and auditing, among other things, are required at each level. Papers crisscross one another between units and staffs like missiles.

### From Impoverishment to Self-Criticism

They also feel that Armed Forces policy has changed since General Valtanen became commander. Right from the start he let it be understood that he had no intention of continuing to complain about the scantiness of defense appropriations, but that he would try to correct the establishment's deficiencies through self-criticism.

This may, for example, mean closer screening in appointments than before, which may lead to promotions over the heads of others. Some people suspect that the number of those who are frustrated and wish to resign is increasing.

In the recent disputes about appointments, the Officers Union has drawn attention to the position of chief army chaplain. Jorma Laulaja, the parish priest of Kurikka, was appointed to it over the heads of Officers Union members, army chaplains. In the union they suspect that from now on an army chaplain's career will not be of much interest if there are no hopes of advancement.

#### Second-Class Officers?

Last fall in the Officers Union they rather sharply criticized plans for improving the Armed Forces, especially training.

The union has been concerned before that esteem for officer training is declining because of the uniform officer cadre system: Administrative officers can to some extent be promoted more rapidly than those who have attended the cadet academy.

The uniform officer cadre system has also stripped officers of symbolic values like first-class train tickets, their own swords and the so-called command lanyard.

"A great deal of serious effort, his leisure time and the application of his resources are demanded of an officer for him to be able to even think of trying for the next sequence of studies, like the military academy. If the desire to improve himself is smothered, the quality of his service will most certainly decline -- exactly the opposite of what is aimed at in improvement plans," said Officers Union information secretary Maj Kari Norkola.

Elsewhere in this magazine (on page 36) the commander of the Karjala Artillery Regiment, Col Aimo A. Niemenkari, writes about the organization of the Armed Forces and problems involving their own types of weapons in an exceptionally public fashion since "the movement of memos and proposals through official channels stops at the point where they do not agree with the prejudgments that have been made."

Colonel Niemenkari also asks whether the present-day general managers on the General Staff are military commanders or people who busy themselves with details and do not know how to plan the future.

#### Career Channel Narrows

One of the reasons behind the griping is the uncertainty of career advancement.

The promotion model for officers is not a pyramid as in many other fields, but "salmiakki" [ammonium chloride] lozenges [flat, diamond shaped, ascerbic cough drops]. This means that up to the rank of captain, promotion is almost automatic, but beyond that the career channel narrows suddenly. Some officers retire after 20 years of service as a captain with a salary of from 6,800 to 7,800 markkas.

Officers with higher degrees, that is, who have graduated from the military academy, get to be majors and most of them lieutenant colonels too.

However, it may be tough to get promoted to colonel, with a salary of over 13,000 markkas -- to say nothing of the level of general, to which one is usually raised at about the age of 50, sometimes a bit before that. A major general's salary is 15,623 markkas.

They do not, however, feel that there is the sort of "doctor plug" in the Armed Forces that university people, for example, have complained about. The Officers Union does not want any more general's positions than now either, provided that only "the best men are chosen."

Nor does the union favor the new rank of colonel first class that has been proposed either. If something is needed, let them rather create, say, brigadier generals -- and them primarily for UN troop needs, they assert in the Officers Union.

#### Generals Are of All Sorts

Actually, no one can say in advance what sort of officer will become a general. In principle, of course, "natural leadership ability" is required, but in addition many special aptitudes, since the tasks generals perform have also now gotten to be very much specialized, particularly in peacetime.

All told, the fundamentals of appointing officers are largely the same as in many other fields: The Armed Forces make the proposals and political leaders the appointments.

General Pajunen defined the basic qualities of a Finnish general in a very loose way: "Some are fast and others slow. Some are calm and others high-spirited. Some are short and others are tall. Most of them are of average size."

[Box, p 10]

#### The "Salmiakki" Model

The appointment structure for officers determines the rate and limits of promotion. In principle the number of posts is not increased; rather, each course of cadet studies prepares young officers at roughly the same rate older ones retire, about 100 men a year.

Because of this "salmiakki" structure, there is plenty of room for them to be promoted to the ranks of captain and even major, but their careers have considerable difficulty in advancing beyond that.

There are altogether nearly 2,700 officer's posts in the Armed Forces, the Border Patrol and Coast Guard and the Defense Ministry, distributed as follows:

Second lieutenants	261
First lieutenants	535
Captains and lieutenant commanders	832
Majors and commanders	672
Lieutenant colonels and captains	250
Colonels and commodores	88
Major generals and rear admirals	14
Lieutenant generals and vice admirals	8
Generals	1

In addition to this, in the Defense Ministry there are some administrative and command posts that require given officer grades.

11,466  
CSO: 3617/84

MILITARY

FINLAND

WOMEN'S ORGANIZATION HEAD: INCREASE FEMALE JOBS IN MILITARY

Helsinki UUSI SUOMI in Finnish 7 Mar 86 p 3

[Letter to the editor by Aune Saloheimo, chairwoman of the Finnish Women's Association, Ltd.: "Most Women Want to Participate in National Defense"]

[Text] Finnish women's opportunity to obtain information on national defense and participate in national defense tasks appears to be a problem that is difficult to resolve. UUSI SUOMI recently discussed this matter in its columns. Our country's oldest women's organization, the Finnish Women's Association, has once again discussed the topic.

Women's status and duties under exceptional circumstances have been studied in government committees since as early as the 1960's. Once committee after another has felt that it was necessary to clarify women's status. Among others, the parliamentary state-of-readiness legislation committee appointed in 1977 laid emphasis on the importance of training women for missions under exceptional circumstances.

In their statement in 1979 government account auditors said that "a women's work force was needed in the Armed Forces for tasks performed without weapons in peacetime and wartime." In its 1981 report the Third Parliamentary Defense Committee stated: "The committee feels that a separate study is necessary of women's status and the tasks suited to them in the Armed Forces."

In his reply to a parliamentary interpellation concerning the holding in reserve, training and drafting of women into service, Defense Minister Veikko Pihlajamaki promised that a permanent committee for the above-mentioned matters would be formed before the present administration was over.

General Jaakko Valtanen has said that holding women in reserve and training them for tasks in times of crisis will depend on the will of political decision-makers. The present Parliament has begun its last session. Will there be enough courage and mutual understanding in Parliament for them to be able to discuss the state-of-readiness laws that are technically ready at the Justice Ministry?

Most Finnish women are waiting for the state-of readiness laws to be discussed and also for women's status to be clarified in connection with that.

This year Finns will be celebrating the 80th year universal and equal suffrage has been in effect. The first women in Europe with the power to vote, Finnish women, were the trailblazers of women's status and rights for decades. Now we are lagging behind the women of the other Nordic countries and Soviet women in many things, among them in our awareness of security policy.

Most Finnish women are certainly desirous of bearing their own responsibility for the defense of the nation in concrete ways as well. Women want to know more about our security policy and opportunities to participate in national defense tasks in both peacetime and times of crisis.

It is especially regrettable that the equality affairs committee does not understand that equal rights also presuppose equal obligations in the handling of our society's legislative affairs.

11,466  
CSO: 3617/84

MILITARY

GREECE

DETAILS ON ARMS-CARRYING FREIGHTER SEIZED IN AEGEAN

Athens I KATHIMERINI in Greek 28 Mar 86 p 1

[Text] The investigation regarding the arms and ammunition seized on Wednesday [26 March] afternoon off the island of Karpathis by patrol boats of the Port Corps is continuing in deep secrecy. The name of the freighter that was seized is West Lion. A total of 80 tons of bullets, 200 tons of reinforced dynamite (TNT), 24 automatic UZI guns, 1 helicopter, and 8 fuses were found on the ship.

The ship, which was registered in the Cayman Islands, had been noticed in the early morning hours of Wednesday by elements of the Port Corps of Siteia. It was anchored near the shore and the crew was busy changing the name of the ship from Kapetan Vlasis to West Lion. The officers of the Port Corps boarded the ship and demanded an explanation. The captain, Vlasios Tzivitzis, claimed that the ship had mechanical trouble. However, the moment the officials departed, the freighter set sail immediately! It was not long before the patrol boats of the Port Corps caught up with it and stopped it.

Upon examination, the ship documents showed that the freighter was carrying ammunition. It was, therefore, taken to Agios Nikolaos and the Ministry of Merchant Marine was notified. Later that night a group of officials from the Ministry led by the head of the Port Corps arrived in Agios Nikolaos.

To date, the investigation has shown that the freighter loaded the ammunition in the port of Ashdod in Israel. It then went to Mersin in Turkey, where it loaded chickpeas and cumin. It then returned to Ashdod, loaded again and departed.

The captain of the ship and the first engineer, an Austrian citizen, declared that the destination of the cargo was Portugal, Guatemala, and other American countries. The crew is made up of seven Turkish sailors and three Filipinos.

Meanwhile, our newspaper has contacted by telephone a Haifa representative of Paul (Wiseman), who is shown to be the forwarder. According to Mr (Wiseman)'s office, the cargo is perfectly legal and the shipping documents are "clean."

When asked about the destination of the ammunition, Mr (Wiseman)'s representative only stated that "the destination makes absolutely no difference. The arms were loaded in totally legal fashion."

However, according to information, the seizure of the ship was carried out in accordance with the (very old) set of laws forbidding the passage of ammunition through Greece without previous permission from the Ministry of National Defense.

It is believed, however, that the cargo must be legal, since it is well known that Israel exports arms.

/9365  
CSO: 3521/119

MILITARY

GREECE

ALLEGED PRESENCE OF SOVIET SUBMARINES IN GREEK WATERS

Athens I VRADYNI TIS KYRIAKIS in Greek 23 Feb 86 p 14

[Text] The intense Soviet activity that is being observed in Greece lately--and especially in "hot" spots of the Aegean--is being confirmed by the two Russian spies who defected in Athens and asked for asylum in the West.

As a matter of fact, it has now been proven that the detections made by Greek submarines and destroyers were correct, despite the security measures that the Soviets had adopted to prevent their movements from being detected in the Aegean. However, there is evidence of something even more serious:

That is, the Soviet Union, with its submarines, spies, just a stone's throw away, on Greek airfields and harbors, just as it does in Sweden. And it is not strange that in both countries the Socialist governments have not shown, until now, any signs of concern or protest for these provocative appearances of the Soviets.

A few months ago, the captain of a small fishing boat saw, while he was hauling in his nets, that his vessel was changing course and had picked up speed, and a few minutes later the steel cable broke. The captain's log was the object of study by Navy officers in light of the detections that had been made by Greek submarines in "hot" areas of the Aegean.

It appears, however, that the Soviet submarines, which roam the Aegean, are not merely one or two. There is an entire flotilla to the south of Crete in international territorial [as published] waters.

Target

One morning the men of the destroyer saw a "surface target" that looked like the conning tower of a surfacing submarine. The doubts were dispelled by sonar. The destroyer "Sakhtouris" located the foreign submarine that was surfacing ...

The Soviet submarine was a nuclear [as published] one of the "Foxtrot" class and was spying in the Aegean, especially in the area where sorties of aircraft from the military airfields of Larissa and Ankhales take place. The next day it was photographed from the air between Limnos and Tenedos.

Viktor Goudarev, the Soviet agent who was a member of Section "T" (Technology) of the First Chief Directorate of the KGB, is expected to solve the mystery about

the movements and interests of the Soviet submarines on "patrol."

#### Six Submarines

The naval vessels that patrol the Aegean because of the "danger from the East"--as Mr. Papandreu says--regularly find Russian vessels, especially submarines that monitor the movements in the area of the islands. Six submarines of the "Foxtrot" class, which carry missiles with nuclear [as published] warheads, have been located and recognized by Navy officers. The Soviets monitor mainly the movements of aircraft off Limnos and the sorties of our aircraft over the Aegean from the airfields of Ankhialos, Larissa and other military areas.

Initially, the "presence" of Soviet nuclear submarines in the Aegean and the Ionian Seas was discovered in 1973 by NATO aerial and naval forces when the first of them had orders to spy on the area of the Adriatic. The nuclear submarines that had been transported by special train to Crimea reached the Dardanelles, but once there, the prohibition by the Turks forced the Soviets to load it on a ship, this because only surface ships are allowed to transit through the Dardanelles, and even these only with special transit permits from the authorities. The submarine then went through the waters of the Aegean and the Ionian and the danger increased significantly as was pointed out at the time by the NATO services.

At present, six Soviet submarines roam our seas and check out the Mediterranean. However, their stay in our territorial waters is somewhat longer than that of normal transit. This proves that their mission is not the surveillance of the Sixth Fleet in the Mediterranean, but mainly the movements of the Greek fleet.

#### He Caught It

Sometimes, of course, bizarre situations occur such as the one where one of our fishing boats caught a phantom submarine in its nets. In the log of the boat "Agios Nikolaos" we read:

"I departed--Captain G. Kotsoris says--Spianzta at 19:45 to fish. When I had cast my nets at a distance of 1.5 miles from shore (depth 41 fathoms) and was located between Kavo Katakolon and Agios Andreas, I found myself being hauled towards the open sea, by the stern by a strange pull on the steel cables, at a speed of 3-4 knots. I then set the engine "ahead" in order to stop, but the force was such as to break the left cable, which was 18 mm. in diameter.

"The iron capstan on which the cables are hauled also broke. I became aware that a submarine had gotten caught and was pulling me. I tried to communicate via radio with the Port Corps, but it was not possible. I figured that since the submarine did not make an effort to surface or to stop and instead was pulling me towards the open sea, it could be that it was not Greek, but of a foreign power that was spying or photographing undersea oil drilling.

"To avoid being sunk, I secured two plastic oil containers onto the cable with a line and they were dragged to the bottom at great speed! At 23:30 hours I sailed into the Katakolon harbor and reported all the details to the Port Corps."

Captain Gr. Katsoris spoke to VRADYNI TIS KYRIAKIS about the incident and this created commotion in the area.

"My boat has a 65-ton displacement and the submarine's effort was to drag me down deep to prevent me from seeing it. As a whole, I suffered damages estimated at 700,000 drachmae. An effort was made to "suppress" the matter, but it is certain that it was a submarine on a spying mission."

During the Maneuvers

In March 1983 during an antisubmarine search and while Exercise "Lailaps [Tempest]-2" was in progress, a Soviet submarine, which was spying near Skyros and was located at a distance of 1 mile from Kymi, was detected. The Soviets were alerted by the signals and began to approach the coast--where there is noise--in order to avoid being pinpointed.

Later on it moved southward in order to leave our territorial waters.

All the details of the detection are contained in the confidential report written by Commander N. Themelidis (captain of the destroyer). A second report by the Destroyer Command dated 29 March 1983 followed. In it, it was reported that the destroyer "Sakhtouris" on 16 March of that year detected a periscope between Skyros and Skantzoura.

They followed it for 1 hour with sonar and surface electromagnetic devices from 10:30 a.m. to 11:30. Later on, the Greek officers lost it, but again detected it at 17:41 south of Skyropoula.

The following findings were reported:

1. It is to be excluded that the submarines were Greek.
2. The foreign-power submarine was sighted by the captain of the "Sakhtouris" and officers and sailors on the ship's bridge.
3. It was detected by antisubmarine and radiolocator systems.
4. It was identified with certainty as a intruding submarine. In the Navy report it is defined as being of the Soviet "Foxtrot" class.

Finally, some time ago it was reported that a foreign submarine was detected in Faliron Bay. It remained in the area for 3 days while the military services mentioned the probability of its being a Soviet vessel.

However, the presence of similar Soviet submarines portend other dangers in view of the fact that they are propelled by nuclear power and, in case of an accident, large expanses of our marine areas are in danger of being polluted.

9731  
CSO: 3521/101

MILITARY

GREECE

DANGERS OF SOVIETS' AEGEAN BASES POINTED OUT

Athens AKROPOLIS in Greek 4 Mar 85 p 5

[Text] There are some very serious national issues that must absolutely always be kept in the limelight of publicity. There must be a continuous reminder, without interruption, something akin to the "Master, remember the Athenians," which every morning a servant so ordered, said to the Persian monarch of the 2d Century B.C. A reminder, of course, but also some proposals for their solution.

These very serious national issues are many (with the sore point being the merciless destruction of our language), but issues related to our national security are the top priority.

There is an extremely small number of Greeks, and even these are experts who know that our Aegean Sea has been "occupied" by the Soviets as far back as 15 years ago. There are scattered in this wide area (250,000 square kilometers), from the shores of Makedonia and Thraki to the southern shores of invaluable Crete along with the southern Cretan Sea (and not, as very improperly called, the Libyan Sea), six Soviet naval bases with the innocent official title of ... anchorages.

These bases are located in the shallow waters of our seas near our islands, outside, of course, our 6-mile territorial waters, although some of them are to be found within the internationally accepted 12-mile (22-kilometer) territorial waters. For this reason, the USSR, siding with Turkey (she has many reasons), does not want us to extend our territorial waters from 6 to 12 miles so that her naval vessels will have at their disposal more space in the Aegean wherein to roam unhindered.

In Key Locations

The Soviets have established their naval bases in the Aegean in extremely important locations, veritable choke points for our seas, our islands (up to two thousand in the wide Aegean space, from large islands to rocks), our eastern and southern seabards with their interiors--and, in a broader sense, the entire Greek territory.

These bases (far more dangerous than the Turkish threat and the feigned friendship of our northern neighbors) are located at the following points: the four

southern ones nearly encircle the extremely strategic island of Crete, two to the south of it and one each to the east and west. The latter two block, as a "body," the two southern access points in the Aegean. Of these four, one is near Kythira (in the channel between this island and Crete), the other is to the east of the great island, near its coast, and of the other two, one is west of the Cretan island of Gavdos and the other is south of strategically-located Tymbakion, in whose area its famous military airfield is to be found. Thus, Crete is totally controlled by these four Soviet bases that nearly encircle it.

Further north, the fifth USSR base is located where the Aegean narrows, between southern Evoia and western Khios, situated near Psara. This completely controls those straits in the Aegean and is located to the south of our defense line, across from Turkey, which consists of our eastern Aegean islands. Finally, the sixth Soviet base is located in the northern Aegean, near Thasos (to the north-east of it). This base controls the entire Khalkidiki Peninsula, eastern Makedonia and western Thraki. It is located to the south of our border defense positions that stretch along the length of our borders with Bulgaria, with its southern flank on our Aegean coast.

#### Necessary Extension

As can be seen on a geographic map of Greece and can be ascertained even by the most uninformed on military matters, this strip has very little depth on land. For this reason it is imperative that its necessary defensive depth be secured by its extension into the northern Aegean by appropriate Greek naval forces in combination with our islands in that area. The Soviet base of the northern Aegean is, therefore, located in the center of this very sensitive, but most necessary for our defense, maritime area. This base can easily and tellingly hit the southern side of our land defense positions from the Strymona to the Evros Rivers.

When the USSR was establishing these bases, it did not hesitate to ask us, by offering a substantial rental compensation, for one of our deserted islands near Kythira in order to extend, on land as well, the base it had located there and which is the most important of all. Fortunately, this Soviet request was rejected. However, what was accepted was another request for the repair of its naval vessels in some convenient island harbor.

In the meantime, dozens of naval vessels of the USSR roam the Aegean and, furthermore, the entire Mediterranean where this superpower has acquired dominant sites for anchorages (as in the strategic straits between Sicily and Tunisia) and whose naval vessels can be found in the Gulf of Sirte to protect Libya, which is a threat to everyone.

#### New Reinforcements

The present naval fleet of the USSR in the Mediterranean (several dozen naval vessels) can be reinforced within a very short time by the very powerful Black Sea fleet. Within a short while a modern aircraft-missile carrier is about to be added to that fleet, which did not have one previously. Thus, the Soviet naval forces in the Mediterranean will have an additional very powerful air and

missile component which will increase the threat to the countries of the Mediterranean, especially the small ones such as our homeland.

From all of the above, it has been demonstrated that our Aegean has been "taken over" by the Soviets. The local Aegean waters, its remaining marine areas, its bays, islands and our extensive and unprotected Aegean coast (12,000 kms. out of a total of 15,000 kms.) and its interior, naturally, are at their mercy.

Who is going to relieve us from this Soviet sea (and aerial too) "occupation"? The answer is "No one. Ever!"

Of course, there is the counter-balance of our small (small when compared to the military colossus) military forces, naval and air, as well as that of the 6th American Fleet in the Mediterranean, which, however, has defense responsibilities for many allied Mediterranean countries. The allied bases here in Greece are also part of it.

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MILITARY

NETHERLANDS

PENSION, CAREER FRUSTRATIONS CAUSE OF PILOT RESIGNATIONS

Rotterdam NRC HANDELSBLAD in Dutch 6 Mar 86 p 2

Article by Dick Wittenberg: "Wanted: Pilots and Spare Parts for F-16's"

Text Complaints by air force pilots about working conditions in a "fantastic" profession.

Tomorrow the Cabinet will pour over new proposals made by Parliamentary Under-Secretary Hoekzema aimed at attracting more people to join the Air Force, and reversing the exodus. For flight commander Verpalen new regulations will surely come too late. He is well on the way with the paperwork necessary for starting a civilian career. "If I get a reasonable offer, I am getting out," Verpalen says. "I have had enough of the Air Force."

Rotterdam, 6 March--"You want to do your work the best you can. You have a great responsibility to the Dutch people. And then you discover that your own bosses are working against you. That hurts." H. Verpalen, flight commander of the 322nd Squadron stationed in Leeuwarden, is fed up. He does not want to be underpaid any longer, and has had enough of seeing the fighting capability of the Air Force slowly but surely undermined.

Verpalen is not the only one. In recent years the motivation of the majority of his colleagues has been badly damaged. They grouse and grumble, but their complaints are seldom heard outside the confines of the bases. Because military pilots do not demonstrate, they do not write leaflets, they know their job. Military pilots simply fade away.

In recent years more and more pilots have sought refuge in civil aviation. This threatens to cause a pilot drain in the Air Force. At the moment our country's nine squadrons have only 240 jet fighter pilots, while there should be 250. According to an Air Force spokesman, it looks as if this shortage is only going to get worse.

Verpalen says that in his squadron alone there are about ten people on the verge of leaving the service. That is half the crew. "This is happening for good reason," Verpalen asserts. "They are all men who no

longer see any benefit in the current personnel policy." Even worse, in his opinion, nothing is being done to reverse the exodus. "It seems as if the highest levels of command take no interest in this."

#### Crisis Policy

According to Verpalen, management only reacts in a crisis. Just recently four pilots from the Volkel air base were notified that they were being transferred to Leeuwarden as of 1 April to fill vacancies. That order went just a bit too far for the otherwise disciplined military pilots. That is why last week Wednesday they decided to act. Thirty-four of the thirty-eight pilots called in sick. "Such conduct, actually is not proper," Verpalen says, "but it is understandable."

The pilots' grievances are especially directed at pension regulations and work pressures. Like all other civil servants, military personnel have agreed to a shortened work-week. Nevertheless, pilots still put in a minimum of 43 hours in a work-week. Added to that often is overtime, night duty, and weekend duty. During an exercise a pilot is sometimes busy twelve to eighteen hours.

The workload is greater than in civilian aviation, Verpalen says. It is a fact that an F-16 is physically more demanding than a Boeing 737. A military pilot has no co-pilot in the cockpit. Also the risk in flying F-16's is greater; in the past years nine pilots have been killed in F-16 accidents.

Because of pilot exodus this work pressure has increased, says D. Berlijn, commander of F-16 training at the Leeuwarden air base. Beginner pilots as a matter of fact, must be accompanied by experienced personnel in the first years of their training. Because fewer and fewer old hands remain, they are called upon more and more often. The result is, according to Berlijn, that he does not even have time for lunch. Berlijn, however, has a flood of annual leave days coming to him. He has 167 leave days. But he cannot take them, because the workload does not permit a couple of weeks of vacation. The Air Force needs him. "I no longer know how to explain to my family that I have to work continuously," says Berlijn. He does not want to be dramatic, but "the tensions do continually increase. That takes more and more of the fun out of it."

At the same time the pay that military pilots get is lagging more and more behind salaries paid in industry. "I really do not have reasons to complain," Verpalen says, "I earn around 3,500 guilders net per month. But a fellow of my qualifications who works for KLM receives 6,000 guilders. That difference is too great."

#### Pension Theft

Nevertheless, wages are not the main problem for pilots. "Because flying with the Air Force is many times more exciting than flying with civilian airline companies," Berlijn says. "Flying a military aircraft is fantastic."

The pilots are really indignant about retirement regulations. "Pension theft" says Captain G. Van Velthove, member of the 316th Squadron at Gilze Rijen and representative of the Pilots' Branch of the Dutch Officers Association.

As long as professional military personnel fly, they get a flight bonus. That is usually the case up until the pilot reaches about age forty-five. After that, flight bonuses gradually decrease, and wages plummet downward, at the very time in those last years which are decisive for calculating retirement pay levels. "That means that the more than twenty years during which I paid into the retirement fund have gone for naught," is Verpalen's conclusion.

Over the past six years, the Pilots' Branch of the Dutch Officers Association has been asking for an adjustment in the retirement regulations. The Branch also has warned for years that there is an impending shortage of pilots. Van Velthoven says desperately: "It looks as if no one is listening."

#### F'16's Stationed in Friesland

Verpalen has an additional problem. He feels that he cannot do his work properly any longer. Because of the shortage in personnel and a lack of spare parts, more than half of the F-16's stationed in Friesland are grounded. "That is hard to take," says Verpalen. "You just cannot fight that. That grinds on a person."

"We have never been appreciated by society," signs an older pilot who wants to remain anonymous. "People say we make a lot of noise. And we deliver fighting power, but who notices that. In fact, the military is looked down upon in the Netherlands. Earlier a number of provisions offset this. Because of budget cuts appreciation of the military also went by the board."

"You are so powerless as a military person," he says. "You cannot strike, after all you are a member of the conservative section of society. And you are devoted to your outfit. Nevertheless, you do have the need to show your indignation. How, in heaven's name, does the government hope to hold on to pilots with such a personnel policy?"

The Air Force spokesman says that the problems are known. "The difficulty with retirement is, that every civil service adjustment has an impact on other sectors." According to the spokesman, the willingness to find a solution has grown, because of the increasing shortage of pilots. The spokesman contests the notion that the majority of F-16's cannot fly because of budget cuts.

"The preparedness of the fighter planes is by far not as bad as it has been made out to be. Maybe the Leeuwarden base is an exception because the oldest planes are stationed there."

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MILITARY

NORWAY

ANNUAL FLEET EXERCISE REVEALS MINESWEEPERS WEAKEST ELEMENT

Oslo AFTENPOSTEN in Norwegian 13 Mar 86 p 10

[Article by Liv Hegna: "Minesweepers--the Navy's Most Sensitive Point"; first paragraph is AFTENPOSTEN introduction]

[Text] Bodo. The annual major naval maneuvers which were concluded on Wednesday clearly demonstrated that the Navy's most sensitive point is the poor quality of the minesweepers. According to Rear Admiral Torolf Rein, too many hours were needed for minesweeping along the coast to bring reinforcements to North Norway. "To have to wait 24 hours can be critical in war," he said.

The inspector general of the Navy, Rear Admiral Bjarne Grimstvedt admitted that he had considered it necessary to cancel two of these ships and place limitations on the sailing of three others. Two more will receive notices of the same during the next few months. To AFTENPOSTEN's question of whether assistance could be expected from other NATO countries for minesweeping in Norwegian waters in case of war, Grimstvedt replied that apart from requisitioning trawlers which could sweep with mechanical equipment, we can not expect help of any kind in carrying out this mission.

Torolf Rein, who is commander of Naval Forces in North Norway, emphasized that the threat from submarines and mines is dangerous for the Navy carrying out escort tasks with supplies and reinforcements for the north.

"Mines are an invisible enemy, and it does not take more than one of them to destroy all too much of us," he said.

This year's Flotex was held under winter conditions for the first time. But according to Rein the 12,000 conscripts did their jobs remarkably well, despite much seasickness and many colds. In addition 300 of the Navy's regulars participated at sea, and 500 in the land-based Coast Artillery. Because of bad weather in North Norway and the extreme avalanche danger the close defense exercises for the forts were cancelled, but otherwise the Navy was not limited in its execution of Flotex.

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ECONOMIC

BELGIUM

MAYSTADT ON PRIVATIZATION, DEBT, NATIONAL SECTORS

Brussels KNACK in Dutch 19 Feb 86 pp 16-20

[Interview with Philippe Maystadt, minister of economic affairs, by Frank de Moor and Jos Grobben: "Philippe Maystadt Strikes Back"; date and place not given]

[Text] Minister of Economic Affairs Philippe Maystadt outlined his plans concerning privatization, recovery of competitiveness, management of the government debt, globalization of defense orders, and additional aid for the textile sector and the Campine Coal Mines [KS].

In recent weeks, Minister of Economic Affairs Philippe Maystadt (PSC [Social Christian Party - Walloon]) has once again become a controversial figure. Since he was promoted from the Ministry of Budget, Science Policy and Planning to the Ministry of Economic Affairs it would be hard to be otherwise. Now he is being accused, primarily within the CVP [Social Christian Party - Flemish] and in the spirit of a CVP Youth report from mid-1984, of systematically wanting to favor Brussels and Walloon industry in the discussion about compensation for new government orders. As CVP parliamentary party leader Luc Van den Brande and CVP representatives Jos Dupre and Eric van Rompuy criticize Minister Maystadt, it is noticeable that in this respect they are sparing their own CVP ministers and the government agreement they also signed. It remains easier of course, like the Christian democratic weekly ZEG on 14 February or like Eric van Rompuy on the same day in DE STANDAARD, to communitearize technical issues rather than to aim at their own ranks and ask the crucial question of what the private Flemish holding companies are doing to check the so-called advance of the Societe Generale and the so-called Davignon-Maystadt connection.

Apparently, member of parliament Van Rompuy is the only one who dares to argue that "the Flemish politicians are insufficiently alive to this new Flemish strategy," that "the traditional Flemish movement has been dashed to pieces on the complexity of these issues," that "the Flemish government is living in the glow of Flanders' Technology and does not fulfill any strategic function to strengthen the Flemish power position."

Therefore, on that same day we went to the minister of economic affairs, to ask him how he sees himself as the Walloon supporter of the new businesslike approach at the Ministry of Economic Affairs.

Philippe Maystadt: If being a Walloon supporter means that I am concerned with the interests of my region, then I will gladly be one. Wallonia has been the victim of the crisis and the restructuring. However, defending those regional interests is not irreconcilable with attending to the national ones. To me, a Flemish worker is as respectable as a Walloon one and I certainly don't want to take away the work from the one to give it to the other.

Question: How do you feel, being a statist in a government which wants to privatize as much as possible?

Maystadt: On the one hand, we need less state and on the other hand, more. Less, because in the course of time more and more tasks have been assigned to the state which would be better handled by the private sector. A state which wants to play the role of entrepreneur usually does this less well than the private sector. Thus, as far as I am concerned Sabena could easily be privatized. However, things are different for the railroads. That is essentially a public service which, because of costs and profits, could never be developed and run as well by the private sector. Furthermore, the same is true for the postal service. Anyone who argues that the post office could be privatized, makes me smile. There would of course be candidates to take over mail distribution in the big cities, but do not believe that the private sector would serve far-off villages and houses as the PTT [Posts, Telegraph and Telephone] does now.

On the other hand, there is a need for more state in what I would call the "royal" function of the state. Even though I am convinced that the role of the state as an actor in economic life is very incidental -- especially for a small country like Belgium in its international context -- I am convinced that the state must create the circumstances in which the other actors can act to the best of their ability. Thus the state must ensure, for example, that there really is true and honest competition. Is it then proof of statism when I advocate the repeal of the price regulation which, in my opinion, is cumbersome and rigid? You really don't need to be minister of economic affairs to realize what absurd situations the current price regulation could lead to. Recently, I was personally given the price hike of seven different categories of Sheraton hotel rooms for approval. Well now, a minister cannot and should not concern himself with that. If his signature is required for that then there clearly is too much state and there is a need to "deregulate," as it is called. It is true that we will have to be consistent in this regard and ensure that the repeal of the present price regulation will allow a full range of competition. That is ultimately what my bill comes down to. However, we cannot run the risk of seeing the blossoming of numerous monopolies or oligopolies as a result of this repeal. My predecessor, Minister Mark Eyskens (CVP), was also a proponent of competition, but I want to prevent it from being unreal and that is something the state has to keep watch over. From that point of view I am certainly statist.

## Rentiers

Question: What is the status of the working group led by Professors Wim Moesen and Jef Vuchelen, which was somewhat surreptitiously set up by Vice Prime Minister and Minister of Budget Guy Verhofstadt (PVV [Party of Liberty and Progress - Flemish]) and his colleague in the Ministry of Finance, Mark Eyskens, to privatize a number of government enterprises?

Maystadt: Like many of my colleagues in the government, I too learned about the establishment of this working group from the press. This was never discussed within the government and I don't know the exact purpose of that working group either. Like Prime Minister Martens I am in favor, for example, of a partial privatization of services to clients. As a matter of fact, the RTT [Telegraph and Telephone Administration] cannot maintain a monopoly in all areas of telecommunications. In that case, the subscribers would even come out cheated because they would definitely not get the best service for the best price. From that point of view I would certainly want less state then. It is true that there will be a need then for more state to define the rules of the game better and to keep the basic network in the hands of the state.

Question: Anyone who, like some government members, expects everything from the private sector must certainly have his eyes opened these days when he reads the annual report of the National Bank, which is certainly not soft on the private sector.

Maystadt: You can indeed understand that report that way. When you see how the companies' profits have increased and investments fail to materialize, then you can rightly wonder about things. Thus there is the sharp rise in income from private properties: in the seventies this amounted to about 14 percent of private incomes. Now this has gone up to 20 percent. In addition, there is also the fact that households are recording a high financial surplus. We are saving so much even that we not only loan 13 percent of the GNP to the state, but in addition are able to loan 0.4 percent of the GNP to the rest of the world. All of this because we are clearly underinvesting.

We are becoming a country of rentiers so to speak and that is worrisome. Therefore this problem will also have to be discussed during the social consultations. We will have to talk with the employers not only about employment but also about investments and about the renewal of our industry.

As independent experts claim, in 1982 our competitiveness was once again returned to an acceptable level. This average improved in 1983 and 1984, but since then a worsening has once again become noticeable. According to the calculations of the Central Council for Business and Industry, this year we will once again have an average competitiveness which corresponds to that of 1982. As a matter of fact, if this trend continues Belgian business and industry will once again be in trouble.

Furthermore, I would like to note that the improvement of the conditions for competitiveness created thanks to numerous government measures, did not receive the expected response from business and industry. Too many companies

barely sought any new markets, continued to operate in sectors without future, and barely altered the composition of our goods package. It is a good thing that since 1983 (providing that an adjustment is made in January 1985), we now have a legal standard to express the degree of competitiveness of our industry.

However, to say that our wage costs cannot rise any faster than those of the majority of our competitors remains too narrow an approach to the concept of competitiveness. As a matter of fact, there are numerous other and equally determining costs besides wage costs. Furthermore, competitiveness also has something to do with the kind of products we export. You may manufacture the cheapest black and white television sets, but what good does that do you if everyone wants color?

Question: Anyone who reads the annual report from the National Bank further and reads about government spending which still does not go down, the public debt which continues to rise and the deficit which is greater in 1985 than in 1984, would get the feeling that 4 years of Martens administration did not produce very much. Even DE STANDAARD is pointing out now that it will be very difficult in the years to come to continue to blame the socialists for the debt.

Maystadt: Did I ever do that?

Question: Your government partners have been shouting that in unison for 4 years.

Maystadt: I don't want to get involved in that discussion. There are more important problems than this kind of partisan bickering. As far as the implementation of the 1985 budget is concerned, I would like to note though that the major differences are to be found on the side of incomes. The expenditures were estimated accurately.

Question: Two years ago, as minister of the budget, you felt that the government was paying excessive interest on the government debt. You noted in that respect that the financial institutions were avidly taking advantage of that and that they could reasonably be requested to make an effort. The financial groups reacted strongly at the time.

Maystadt: Meanwhile the financial institutions have certainly made efforts, but I remain convinced that the government debt should be managed in a more modern and efficient manner. Thus it should be possible, by making use of the various financing mechanisms available on the market, to find less expensive formulas which would allow us to save billions of francs in this area also. This is precisely why it would be useful if, for example, we could attract an expert to manage this who would put his experience in the private sector at the disposal of the state.

Question: Someone like Gandois for the government debt?

Maystadt: Who knows. By letting a man like that change camps the government could definitely save quite a bit.

Question: At the present time, several proposals are going around which would not immediately push up government revenues. In this respect, one might think about the reduction of advance levies on personal property and about retirement savings.

Maystadt: Minister Eyskens' proposal to reduce advance levies on personal property does sound appealing, but it must also be possible from a budgetary point of view. Retirement savings involve more than a budgetary problem. This proposal also involves a certain government ethic. Personally, I find it contradictory to couple the retirement problem with the promotion of investments in risk bearing capital. As a matter of fact, as far as retirement benefits are concerned one strives for security and certainty, whereas I doubt that this is the case for this kind of investment.

Question: You participated in drawing up a government agreement in which, among other things, two elements were missing when compared to the previous one of December 1981. The first one concerns the globalization of defense orders in order to achieve a better regional distribution of socio-economic compensations. The second one in 1981 concerned a promise made by the state not to make any decisions which would create production capabilities which would compete with those already profitable in the same sector. By leaving out any reference to avoiding such industrial overlapping Flanders could, theoretically, begin building Sikorsky helicopters now after all (even though the takeover of the British Westland by Sikorsky has made Flemish plans more questionable than ever) but Wallonia could meanwhile be certain of securing part of the RTT contract. On the other hand, deleting any reference in the government agreement to globalization allows you, among other things, to expand the original list of the six military purchasing programs with, for example, the purchase for the air force of the Rapport III system of electronic defense equipment for the F-16 and specifically to delay the purchase of helicopters.

Maystadt: The deletion of any reference to either globalization or overlapping could indeed be understood this way. As a matter of fact, others besides the six original purchasing programs are important for the future of our defense. You don't even need to think immediately of the Rapport III system here but, for example, of the purchase of night viewers (Goggles). This is why the last government's globalization plan must be reviewed by means of a new priority list, and why a new agreement will have to be developed about this within the administration and a new form of globalization. I didn't mean anything more than that in recent weeks. As a matter of fact, for budgetary and strategic reasons Minister of Defense Francois-Xavier de Donnea (PRL [Liberal Reform Party - Walloon]) wants to adjust the 10 year plan for defense purchases. Thus, a number of orders, definitely including helicopters, will be placed in a different order than the one planned so far.

Beautiful Factory

Question: For all government orders, the Ministry of Economic Affairs is responsible for the promotion of competitive proposals. In the last government, former Minister of Defense Freddy Vreven (PVV) and his then colleague in the

Ministry of Economic Affairs, Eyskens, tried to obtain indirect rather than direct compensations. Will you also do that?

Maystadt: In some cases it is better to obtain direct compensations which are directly related to the implementation of government orders already placed. I would like to refer here to the F-16 fighter bomber program. The Walloon airplane industry has raked in its direct compensation in the matter, whereas, on the other hand, it has proven very difficult to obtain the 22 percent in indirect compensation promised to Flanders. As minister of economic affairs, I will personally make sure that the F-16 supplier, General Dynamics, keeps its promises to Flanders, but this does not alter the fact that indirect compensation is more doubtful. I admit that it doesn't make any sense to demand direct compensation for a small size purchase of short duration. Take, for example, the much discussed purchase of armored infantry combat vehicles, for which Asco and others have built a beautiful factory in Aubange via the Belgian Mechanical Fabrication Company Ltd. Well, it is obvious that we will have to keep looking attentively for opportunities to ensure the continued working of the company after the last armored vehicle has been delivered.

Question: Recently, in a parliamentary committee, you drew a very pessimistic picture of the national sectors. The so-called financing envelopes are nearly empty. What do you intend to do about it?

Maystadt: The situation is even worse than it appears from the figures published then. As a matter of fact, I provided the situation of "payments" as of 1 January 1986, while commitments already go much further. Hence, there is even less money in those envelopes than people think. This means, for example, that the envelope for the restructuring of the textile sector, which incidentally consisted of 20 billion francs, is virtually empty today and that certainly the money for the social arrangement has simply been used up. I feel that additional money must be found specifically for that. As a matter of fact, it would be unjust not to offer recovery opportunities to the workers whose company went bankrupt this year. In terms of textiles then, the only remaining issue is the service sector which is related primarily to exports and has 2.9 billion francs left in the till. What I mean is that one way or another the textile plan must be extended and that we must look for new resources in that respect. I am pleading for the private sector to take over now the shares-without-votes, which the government bought at the time. It is true that the government would then have to decide whether the National Company for the National Sectors (NMNS) will put those resources into the treasury or whether those resources will further be placed at the disposal of the textile industry. If we agree that the textile plan has produced good results, then it would seem logical to me that the money be reinvested in that sector. It is a fact that worthy efforts have been made in this area and it would be a pity to end this prematurely.

Question: And what about shipbuilding?

Maystadt: That is primarily a matter of orders. As long as the Boel shipyards, because that is ultimately what we are talking about, do not manufacture ships for which a market exists and cannot show me a filled order book, it

would seem somewhat irresponsible to me to continue pumping community money into it.

Question: Shouldn't the shipping credits be given to the shipyards rather than to the ship owners?

Maystadt: I wouldn't go that far, but I do believe that we must continue to make sure that those credits indeed benefit the Belgian shipyards rather than the Belgian ship owners. However, those shipyards should for a long time already have been making types of ships or platforms that others do not build. I certainly want to do everything possible to keep the Boel shipyards afloat, on the condition that it not become a pure loss and that we get an idea of the kinds of orders this shipyard thinks it will be pulling in in the coming years.

Question: There remain two other important sectors: coal and steel.

Maystadt: ... You are coupling those two.

Question: Both industries will be in sore financial straits in the foreseeable future. At Cockerill-Sambre the social envelope will be exhausted shortly, and in a few months the Campines Coal Mines will be down to their last cent.

Maystadt: The problem of Cockerill-Sambre [CS] is not all that urgent. The difficulties, the payment of transitional pensions and the like, will occur only a few years from now and I hope that by then the company will be able to bear those costs itself. As a matter of fact, like all sectors this envelope is indexed. As far as the Campines Coal Mines are concerned, there can be no misunderstanding. When the envelope is empty -- and that will be the case in a very short period of time -- the operating loss will have to be reduced to an acceptable level. In practice this means up to about 5 billion francs per year, this being the revenue of the Flemish inheritance duties. What must take place now is the drawing up of a recovery plan which strives for this goal. Another problem is that transition period.

Question: Who will finance it and how?

Maystadt: I am not excluding anything. Some people indeed seem to believe in such a coupling, but I would like to see a few illusions disappear. Specifically the illusion which exists at Cockerill-Sambre that there will "always" be money because KS must continue to produce, and the illusion at KS that the government will continue to be ready to help because CS will not become profitable. As a matter of fact, I would like to point out that everyone in Wallonia by far does not agree to bet everything on that one horse, and in Flanders there are probably enough people also who don't want to see all their money swallowed up by KS.

Question: Are negotiations still going on about the famous extra charge electricity producers have to pay for coal from Campines?

Maystadt: Yes, but I don't think that the term "extra charge" is right. That makes it look as if it involves a present to KS and that is "not" the case. Campines coal has a higher calorific value than imported coal and is less expensive for electricity producers because they themselves do not have to stock enormous amounts of coal. What is involved now is to agree on a correct price, which takes those elements into account.

Question: Secretary of State for Energy Firmin Aerts (CVP) who was added to your department, will soon be the only person to defend the restarting of the nuclear reprocessing plant Belgoprocess in Dessel.

Maystadt: Secretary of State Aerts, with my permission, is looking for new partners. The electricity producers are willing, officially at least, to bear 55 percent of the costs, but then we will still lack those 45 percent. Hence, if Aerts doesn't find any new elements, and especially if he cannot persuade the German private electricity producers to participate by allowing their irradiated nuclear fuel to be processed here, things will be very hard for Belgoprocess. It would be difficult to demand that the community invest 30 billion francs by itself.

Question: Is there any future for Belgoprocess anyhow?

Maystadt: If Aerts cannot bring any new elements into the file, then it will probably be the end.

8463

CSO: 3614/74

17 April 1986

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

## MISTRUST HINDERS ECONOMIC, TECHNOLOGICAL COOPERATION WITH FRENCH

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 25 Feb 86 p 12

[Article by Karl Jetter: "Between Cooperation and Mistrust"]

[Text] A wave of mistrust toward the FRG is passing through France--not for the first time and not for the last time. France's relations with its neighbor are subject to periodic fluctuations. Political relationships are normally excellent, as long as everything is going in accordance with French conceptions. Just as regularly they deteriorate when the Germans remember that they have national interests. Independently of that, economic cooperation between and integration of the two economies proceed totally undisturbed, just as if no tensions existed in Franco-German relations; and even more, as if there were no campaign in the French media criticizing Germany. These days it is being nurtured primarily by the Germans' supposed turn-away from France and their lack of willingness to cooperate in technological matters with the French. However, this mistrust has even deeper roots and it is growing with the economic lead of the Germans, which has been becoming more pronounced for years.

More than 200,000 jobs are still disappearing in France each year, almost as many as are being newly created in Germany each year. The profitability lead of the 10 largest German concerns, compared with the first 10 in France, has been at least DM 10 billion annually since 1982. The FRG is regarded as the "Japan of Europe," with the highest foreign trade surplus of all time.

The weekly magazine VALEURS ACTUELLES states: "With the Airbus, the Tornado fighter plane and the aircraft that the Germans will build with Great Britain, Italy and Spain, the FRG is achieving autonomy in the aircraft industry. As the owner-builder of Spacelab, Germany has taken a step into space. With the development of the European section of the space station Columbus Bonn is entering the world market of space travel."

What is there to be afraid of? Henri Froment-Meurice, the French ambassador, interpreted the relevant literature in this way: "The French are making voyages of discovery across the Rhine. They are exploring the Germanic land. They are returning with their heads full of nightmares. In book after book they swamp us with their fears. Nothing is functioning in Germania any more!" "Anti-German sentiment" over there is drifting in the direction of pacifism,

neutralism, opposition to nuclear power, anti-American sentiment is turning into Germanism!" One serious weekly periodical recalls the saying of British wartime Prime Minister Winston Churchill: You either keep Germans under your boot or you'll have them at your throat! The paper then serves up this fundamental insight to the French: "France sees its future in Europe, but Germany sees its within a national framework (referring to unification as a priority). No one is short of proof for theses of this kind: "Franco-German cooperation has reached a dead point. We are stumbling from one failure to another. The Franco-German tank was aborted. The Thomson-Grundig marriage failed because of German resistance. Lufthansa took neither the Caravelle nor the Concorde. Bonn buried the design for a military reconnaissance satellite, which had been ceremonially baptized a year before at a Franco-German summit. German minister Riesenhuber has told French journalists that Bonn will not spend 'a single deutsche mark' for the European space shuttle 'Hermes'." On the project for the high-speed train (TGV) from Paris to Cologne: "Bonn says yes but is thinking no and does not even have the feeling that it is lying." Why? Because the Bundesbahn is developing its own high-speed train and wants to run it one day between Paris and Cologne . . . . But this is not enough: "German Minister of Finance Stoltenberg is unwilling to release a single additional deutsche mark for Eureka." Even worse: "Chancellor Kohl is submitting unconditionally to Washington's wish to open a new round of GATT discussions on tariffs--against the resolutions of the EEC."

Where does technical-economic cooperation really stand? The official Franco-German parliamentary group in the Bundestag, chaired by Hans Stercken, and the official Franco-German Chamber of Commerce in Paris and Dusseldorf agreed in Aachen on a public statement of policy and economics. The active presence of the Archbishop of Paris Lustiger, of industrialists, scientists, generals and bank managers gave the statement substance.

The speeches by the French and German ministers for research demonstrated that cooperation is far better than its reputation. To be sure, the French list of failed projects is long and impressive. Today the French still celebrate their supersonic Concorde aircraft as a great technical achievement. Germans saw the project as a mass grave for tax money.

To the statement that "Bonn makes economic decisions, where Paris makes technocratic decisions" Minister for Research Henri Curien responds: "We make economic decisions in Paris as well." He said that France was not pursuing any more prestige projects. "The new market economists" in France recognize that the acquisition of Grundig by Thomson was bound to fail because of German cartel laws that safeguard competition. Like the federal government, they are in the process of putting their public budgets on a sound footing, eliminating expenditures and gaining control of the debt. It is obvious that projects have to be postponed, curtailed and sacrificed, regardless of whether tanks, helicopters or satellites are involved.

In any case, from an economic perspective it involves small fry. All of them together make up less than 1 percent of the annual exchange in productivity between the two countries (about DM 110 billion). The critics find it all too easy to overlook the successes of joint projects like the Airbus, which were

funded by market economies. Major French companies (Thomson, Bull) are re-locating entire research centers to the Schwarzwald, to Berlin. In France, Siemens is looking for 250 French engineers for its German research center. Eleven hundred scientists have already worked "in the other country." Technological cooperation is a reality.

Serious differences of opinion are more likely to exist about the German attitude to the American Strategic Defense Initiative (SDI) and to the competing French Eureka design. The government in Paris refuses to participate in SDI, but is allowing its state-controlled companies to participate.

The government makes no attempt to conceal the fact that it is opposed to any waste of money for double expenditures: "I am issuing a warning against any ambition of wanting to invent everything anew. We should rather invent what does not yet exist" (Heinz Riesenhuber). Curien's response to this is: "Europe must become autonomous in manned space travel as well. Anyone who cannot send a repair facility into the cosmos will not sell any more satellites." For the FRG, participation in the Hermes space shuttle would not be "a leap in technology."

Lutz Stavenhagen, minister of state in the Ministry for Foreign Affairs, rejected French fears of Germany drifting away into pacifism: A neutral role in the middle between the East and West blocs was "not capable of winning a majority" in the FRG. He said that Bonn had a strange experience with the Eureka: "The opponents of a controlled economy have been waiting until we organize Eureka in the fashion of a controlled economy." But Bonn did not do that. It was still up to the companies to make suggestions. The Eureka secretariat did not have any funds of its own for the subsidization of European research. It was up to the individual countries, he said, to make a decision about their research contributions in a specific case. The crucial test for Eureka still lay ahead. Industry's calculation of benefit that it was better to work jointly than alone still held true.

The new French high-speed links (TGV) have proved to be profitable after only a few years. Today Bonn and Paris are convinced that a new high-speed rail network will not be a burden on the taxpayer. They feel that the European capital market is strong enough to finance the renaissance of the railroad. The president of the Bundesbahn, Gohlke, said that 2 years ago the present discussions were unthinkable. In the future everything would move much more quickly than could be imagined today. At present only the French TGV train was available. But in the 1990's the German ICE train could be traveling to Paris. In this context the former ambassador in Tokyo, Diehl, recalled the old battle in television technology between Pal and Secam. At the time Paris and Bonn were each engaged in imposing their own well developed technology on the other. Only the Japanese had derived any advantage from this sterile conflict. The conclusion to be drawn was this: In future, technological development in Europe should be put out for bids through a European client in the initial stages whenever possible. In the case of the European railroads a joint "assignment workbook" [Lastenheft] in this sense already existed. Accordingly it was a matter of mere detail to award contracts and sub-contracts to companies in individual member countries. Like the Airbus,

high-speed trains could be developed in the future by a European consortium, with the work being divided out. The principal concern in Europe was always and everywhere to realize a unified market. It was necessary to agree upon the standards and system concepts at an early time.

9581

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ECONOMIC

FEDERAL REPUBLIC OF GERMANY

BONN SEES DECLINING COMPETITION FOR APPRENTICESHIPS

Bonn DIE WELT in German 20 Feb 86 p 1

[Article by p.p., datelined Bonn: "Wilms: Competition for Apprentices; Bonn Expects Easing of the Apprenticeship Market; Vocational Training Report Adopted"]

[Text] The FRG government expects an easing on the apprenticeship market. As Education Minister Dorothee Wilms said yesterday following approval of the "1986 Occupational Education Report," she starts from the assumption of about 740,000 applicants, with 10,000 to 20,000 more apprenticeship positions than in 1985. Last year there were 756,000 seeking apprenticeships of whom 95 percent could be placed by the end of the year. Mrs Wilms: Of the 38,991 who remained without an apprenticeship position up to 31 December, additional ones could be placed in the meantime.

Despite the latest action of the SPD opposition of wanting to ask for payment of a tax from enterprises which do not want to train people, the FRG government adhered to its course "of betting on the voluntary involvement of industry in training." Moreover, for the future, too, "the general conditions for the tested system of dual vocational training" will be "assured," the minister said and beyond that announced: The federal government's own training activities this year will be "kept at least at the same high level as last year," which corresponds to the availability of about 32,000 apprenticeships.

All demographic data let us expect a development which will bring about by 1990 at the latest that "the total demand for apprenticeship positions will be less than 600,000." For Mrs Wilms that was an occasion yesterday to appeal to industry: "In the medium term, the competition for apprenticeships will change into a competition for apprentices. Enterprises which want to ensure their skilled manpower demand over the long term and with high quality personnel are therefore well advised if they make use of the opportunity of the still high demand for apprenticeship positions now and step up their training efforts. Investments in vocational training now are investments for the future."

Quite incidentally the minister also touched on the recently increased discussion that many youths "are being trained for the wrong occupations, thus are getting the wrong qualifications." This reproach cannot be maintained according to the studies available to her. For, on the one hand, many youths either perform their military service following completion of their apprenticeship or they continue to

improve their qualifications. Neither one of these factors can be described as a "faulty start." And generally, "a smooth start in an occupation simply cannot be follow-on activity in the apprenticeship occupation." After all, for the barely 1000 training directions there are 25,000 activity profiles in jobs for which there are in part no "training directions that are clearly related to them."

12356

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ECONOMIC

FEDERAL REPUBLIC OF GERMANY

## VOCATIONAL TRAINING TO BE MODERNIZED

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 6 Feb 86 p 11

[DPA article datelined Berlin: "Almost All Apprentices Will Soon Be Taught According to New Training Plans; 'Modernization' to Be Concluded by 1987; Broad Fundamental Education Is the Basis"]

[Text] Broad training regulations by which the job descriptions are adapted to technical and economic changes are supposed to be available by 1987 for nearly all occupations according to information of the Federal Institute for Occupational Training (BIBB). Especially affected by the new regulations are the big industrial training fields such as metal, electrical engineering, chemistry, printing as well as the metal and electrician trades, according to information by the BIBB general secretary, Hermann Schmidt, provided to journalists in Berlin. The purpose of the reforms, he said, is a broader occupational fundamental training, which provides a better basis for mobility and advanced training. Training of "versatile skilled workers" is hereby in the center of attention.

Roughly 90 percent of all youths would be trained "with orientation to the future" after completion of the new regulations. There is now a total of 1.8 million persons to be trained. Since the 1969 occupational training law went into effect, nearly 200 occupations with roughly one million training conditions were newly regulated. The trend towards reducing the occupations further continues, according to Schmidt. The present 42 metal industry occupations would be combined at the end into 6 occupations that are divided into 15 fields of specialization. In 1969 there were about 600 occupations requiring apprenticeship recognized by the state as against 429 at the present time.

Schmidt rejected criticism of the prolonged procedure in developing the new regulations. All participants, employers and labor unions, must be involved in the reforms which is a time consuming process, he said. But their consensus is a "cornerstone of the dual vocational training in school and plant." So as not to overtax small and medium-sized enterprises, the regulations only prescribe "minimum requirements." Inclusion of not yet broadly introduced new technologies would otherwise deprive these tested training enterprises of their "ability to train." However, no enterprise is prevented from training over and above this foundation. Large enterprises in particular will frequently assume this "vanguard function."

Recently BIBB submitted several partially newly regulated, partially unified guidelines for occupational training in various fields. These include, among others, the occupations of specialist salesmen and saleswomen in the food trade, packaging technicians, "neon lamp glass blower" (a further specialization in the neon advertising branch of industry) and male and female doctor's assistant or veterinarian's assistant. The specialist salespersons of the bakery, butcher, and pastrymaker's trade are replaced by "salesmen/saleswomen in the food trade." Nearly 51,000 persons to be trained are affected. Training in the industry producing packaging was newly regulated. The "neon lamp glass blower" supplements the "sign and neon sign advertising producers" also recently reformed. The period of training for male and female doctor's assistants as well as that of veterinarian's assistants is also expanded by one year to three years.

12356

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ECONOMIC

SPAIN

INDUSTRY MINISTER EXPRESSES OPTIMISM

Paris L'USINE NOUVELLE in French 16 Jan 86 p 47

[Interview with Minister of Industry and Energy Joan Majo by Vincent Nouzille; date and place not given]

[Text] [Question] Since 1 January 1986 Spain has been a member of the Common Market. Do you think that Spanish industry is ready for it?

[Answer] It would have suffered a great deal if all protection had disappeared on 1 January. However, there is a transition period of 7 years. I am convinced that Spanish industry has enough time to complete the kind of essential modernization which will make it competitive by the end of this transition period.

[Question] Will you take action to facilitate the introduction of the Value Added Tax, to compensate for the end of "tax adjustments," etc?

[Answer] We do not have in mind any direct assistance to companies. We were under one system and we are changing to another. We have to adapt ourselves to the change. The competitiveness of our companies should not be based on subsidies but on ensuring competitive costs for inputs and a productive process which is also competitive.

[Question] In your view what are the principal problems which Spanish industry suffers from, compared to its European competitors?

[Answer] I see four of them. The first problem is the time lag in dealing with the problems of overcapacity in certain industrial sectors, such as shipbuilding or steelmaking. Ultimately, these delays have affected our whole economy. Beginning in 1983, we began restructuring programs in these sectors. They are not completed, but they should be concluded fairly quickly.

[Question] Could you give us some examples?

[Answer] By the end of 1985 about 60 percent of the objectives in the restructuring of the steel industry had been achieved. We agreed with the EEC to begin this process on 1 January 1986 and to complete it over a period of 3 years. In the textile industry the reconversion plan should be completed by

the end of 1987. In fact, it is almost completed now. We have invested a great deal of money. This is a model of cooperation between the private sector and the government.

[Question] Let's look at the second handicap.

[Answer] This is to be found throughout industry in general. It is the problem of the excessive cost of energy in the process of industrial production. We undertook an intensive program of investment to add 300,000 TEP in 1985 and 500,000 TEP in 1986. In 2 years we will have saved 20 percent of our initial energy consumption in industry.

The third point concerns a certain imbalance over the past 10 years between the very substantial growth in the cost of labor and insufficient growth in overall productivity. There has been a lack of technological investment to improve productivity, except, perhaps, in the automobile sector and in a few chemical firms. Now we have to make up for that lost ground.

We have a final subject for concern: the nature of the industrial products traditionally manufactured in Spain has not made it possible to include increased costs in ruling market prices. Our products are not industrial leaders and too often involve commonly available goods. Also, in order to regain room for maneuver, we are presently encouraging innovation, that is, in terms of quality, design, packaging, marketing, and the commercial promotion of more sophisticated products in the European range.

[Question] Is the role of value added to research enough in the various Spanish companies?

[Answer] No. It represents less than 1 percent of our Gross Domestic Product. Our goal is to reach 1.5 percent in the next 4 years, whereas the European average is between 2 and 3 percent.

[Question] In 1984 you undertook a sectoral plan for the electronics and data processing industry and, in 1985, a plan for robotics. Are these priority sectors in your view?

[Answer] These two plans have no particular priority in themselves. They were given priority because they brought new technology to all of industry. And we wish to develop these technologies by ourselves.

[Question] However, you need to have foreign technology?

[Answer] Yes. In cases where the development of these technologies in Spain would take too much time. Therefore, we choose between such cases and those which we can "handle." For example, we do not accept foreign technology in the field of telecommunication equipment, the control of air navigation, or automation and robotization in the textile sector. On the other hand, we do not see ourselves as capable, over the short term, of reaching international levels in the field of microprocessors. We need partners. This explains our agreement with AT&T.

[Question] With a subsidy of \$60 million.

[Answer] The aid we will receive is no higher than what has been provided to other European countries. It is above all the 1,800 engineers in electronics and data processing graduating each year from our major schools which interested AT&T. As was the case with all of the other foreign companies with which we have recently signed agreements. For example, Hewlett-Packard, Olivetti, and Nixdorf in data processing; Thomson for passive components; and Sony, Grundig, and Matsushita for video tape recorders.

In the same way we have signed modernization contracts with the foreign automobile manufacturers operating in Spain, including General Motors, Ford, Renault, PSA, etc. And we are close to an agreement with Volkswagen regarding SEAT. I think we are offering them good conditions (costs, technology, experience, and a market) to manufacture automobiles at the lower end of the price range in Spain. They have all understood this. The most recent firm to have made this choice was Opel.

[Question] In your view what will be the strong points of Spanish industry 5 years from now?

[Answer] We can establish positions in the agro-food industry, in textiles, shoes, automobiles, and chemistry. We believe there will be spectacular growth in our electronics sector. We will succeed in all of these sectors, thanks to the better quality of our products and to close cooperation with multinational companies, particularly the European firms. This is because the markets are international. Our agreements with AT&T or Olivetti are good examples of this. In this way we will Europeanize our strategies and those of our trading partners.

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CSO: 3519/141

ECONOMIC

SPAIN

#### INDUSTRIAL MODERNIZATION EFFORTS VIEWED

Paris L'USINE NOUVELLE in French 16 Jan 86 pp 44-52

[Article by Vincent Nouzille: "The New Face of Spanish Industry"]

[Text] Since 1 January 1986 Spain has been a member of the EEC. Spanish industry, which had been very much protected up to that point, must now modernize itself. It will have a number of advantages in doing so, and it is the Spanish state which controls the process.

"Understand how the Value Added Tax works, on videocassettes"; "Occupational training is a program for everyone." Whether practical or ambitious, these advertising slogans, taken at random from the Spanish economic press, provide evidence of the ferment which developed in the Iberian Peninsula a few days after the official entry of Spain in the Common Market. It is made up of a mixture of individual actions to deal with the problem and a program of "forced march" modernization carried out by a socialist government which intends to dissipate the fears felt by businessmen and consumers. A comment heard among the public goes: "It is Europe which is going to come into Spain and not the reverse." This is incorrect, in fact, because the agreements reached between the EEC and Spain in 1970 created an imbalance: export customs duties were only one-third the level of import duties. Spain now ships 50 percent of its exports to the EEC. On the other hand, the EEC only accounts for 33 percent of Spanish imports.

Spanish industry, which has been very fully protected up to the present, must now adjust itself to European time. Since 1 January 1986 the 1970 agreements with the EEC have no longer been in effect. This means that "tax adjustments" (disguised subsidies of 4 to 11 percent on exports), import licenses, and quantitative restrictions have been abolished. Long live the Value Added Tax, which replaces an archaic and ineffective system of 23 kinds of indirect taxes. And the first of eight stages (an initial reduction of 10 percent) in the abolition of customs duties with the EEC will enter into effect at the beginning of March.

Pausing between taking a plane to Barcelona and his board of directors meeting in Madrid, a leader of the Spanish employers' group expressed concern about these shocks. Lorenzo Gascon, president of the Common Market Committee of the CEOE (the Spanish equivalent of the French National Employers Council),

explained: "Gross Domestic Product threatens to fall by 2 to 3 percent; competitiveness, by 5 percent; and inflation could bound up by 3 to 4 percent. Our recently-established industries are going to suffer from the massive arrival of European products on the Spanish market and from the very subtle, nontariff barriers which exist in all of the EEC countries." He bitterly added that nothing has been done to prepare companies for the application of the Value Added Tax.

In fact, this is a rather somber picture. Enrique Kaibel, president of the Foreign Trade Committee of the CEOE and of the Spanish Association of Equipment Manufacturers (SERCOBE), takes a somewhat different view: "The 1970 1970 agreements with the EEC would have had to be renounced sooner or later. Spanish entry into the EEC requires sacrifices, but it is the 'least worst' of solutions. And we have some advantages in adapting ourselves to the new situation."

In reality, the fateful date of 1 January 1986 made it possible to speed up essential industrial restructuring. Juan Luis Croissier, president of the National Institute of Industry [INI], a state holding company, admitted: "There was a certain amount of psychological pressure which drove us to modernize more rapidly those sectors which were more backward and to promote other industrial sectors."

Spain wants to win the battle of industrial modernization. Like France in the 1960's, but more quickly and under crisis conditions, it must adapt its economic structures. And it is the Spanish state which is directing things.

The program for the reconversion of basic industry alone will mobilize the equivalent of some 50 billion francs over the period 1984-1986. The choices made were drastic: steel production, ship construction, aluminum, fertilizers, domestic appliances, and equipment goods were involved in the formation of rather melancholy industrial groups, in amalgamations, and in investments in productivity. Strategic sectors of high technology industry have benefited from specific programs. From Catalonia to Galicia, zones selected for urgent reindustrialization are flourishing. The industrial mobilization program is a general one, requiring the sales forces of Spanish industry to leave their trenches before they are inundated--and to polish up their trade weapons. And they have a number of them.

In the textile sector, for example. With 350,000 workers, Spanish factories account for 13 percent of European production. The national plan, begun 4 years ago, raised investment from the equivalent of 700 million French francs in 1982 to about 1.5 billion francs in 1984. Many companies have gone out of business. Other companies, within the limits of good management practices, have slipped into involvement in the underground economy, which now accounts for 20 percent of the production of textiles, at very low productivity levels. Nevertheless, on an overall basis the plan is a success. The funds available to many companies have grown, their production equipment has been largely automated, and the range of products turned out has been brought up to date, particularly in terms of the ready to wear clothing sector, the top of the line. Is the textile industry ready for Europe? According to Miguel Bosser, president and director general of the Bosser Company, the Spanish textile

industry still stands to lose 20,000 jobs, while exports will decline by about 20 percent in 1986.

Lorenzo Gascon, counselor and delegate of the Seda Company in Barcelona (artificial fibers for textiles) and vice president of the Union of Textile Industries, considers that "lower priced Spanish textiles will now face competition from Portuguese industry, whose wage costs are 70 percent lower than ours and below those of third countries." In effect, Spanish entry into the EEC will force the country to accept a certain percentage of Asian products in its imports. Gascon, a Barcelona industrialist who is not worried about his own company, one of the five largest in the artificial fiber industry in Europe, noted: "However, we can use our imagination." He added: "I can manage. If they attack me in Spain, I will attack my competitors on their own ground."

#### 10 Million Bottles of Champagne Sold to the United States in 1985

Taking the offensive? You just have to look at the agro-food sector to see this also. The number of production units (140,000) went down by 5 percent in 1985. Economic activity is concentrating and being rationalized. And in the various plants the managers are becoming more active. One of the "businessmen of the year" designated by MERCADO magazine is none other than Jose Ferrer, president and director general of the Freixenet wine company, which has been producing "Spanish champagne" since 1889. Its vineyards in Catalonia made it possible to sell 13 million bottles of champagne abroad, including 10 million bottles to the United States (compared to 3 million bottles in 1981). He took over the Henri Abele champagne company in October 1985 and hopes, through his other investments, to produce 5 million bottles of champagne in California and 6 million in Mexico in the course of the next 5 years.

The high-flying Squash Company (250 million francs in business turnover and 55 million francs in profits in 1984), one of the largest Spanish companies handling choice quality fruit and flowers, is considering increasing its available, arable land and wants to introduce the techniques of drop by drop irrigation and microsprinkling of water.

Another example of this spirit of dynamism is the Interalimente Company, which is 50 percent owned by General Foods. Just outside of Madrid it has built one of the most cost effective plants in Europe, which will produce 200,000 hams annually. Thanks to its own network of livestock raisers and a continuing system of hygiene control, it will export its meat products in accordance with European regulations on hog diseases. Is this an American bridgehead in the EEC? And so on.

There is no hesitation! Foreign investment projects (see tables below) are welcomed with open arms by the Spanish leaders. This is particularly the case in the production of automobiles, industrial equipment, and electronics.

In 1984 the Spanish automobile industry produced 1,170,000 vehicles and exported 60.8 percent of them, a record level for Europe. This performance was due to foreign companies building automobiles in Spain. Ford, the largest company in this respect, is producing all of its "Fiesta" models and some of

its "Escorts" and "Orions" (260,000 vehicles, of which 70 percent are exported). If Ford signs a pending investment agreement worth 4.2 billion francs with the Spanish Government, its factory in Almusafes will become the largest in Europe. General Motors (turning out 260,000 vehicles, of which 85 percent are exported) produces all of its "Corsa" automobiles in Spain and is discussing the complete takeover of the Enasa Company. For its part, SEAT, which is still owned by the INI, has begun to produce "Polo" cars for Volkswagen (55,000 in 1984 and 95,000 in 1985) and could come under the control of the German company. The industrial plan accepted by SEAT and Volkswagen provides for the assembly of another vehicle in Spain, the exclusive production of the model succeeding the "Golf," continuing with the "Ibiza" model, and the maintenance of the SEAT network. In exchange for this SEAT would eliminate 4,000 out of 23,000 jobs. Finally, Renault will invest 2.5 billion francs on its own over the period 1985-1987 to modernize its FASA factory. The PSA Group is following the same logic, and the Japanese automobile manufacturers are knocking at the door. Producing vehicles at the lower end of the price range in Spain will provide them with a good springboard for sales in Europe and even in Latin America.

#### A Strategy of Stimulating the Domestic Market

The Spanish Government believes in its automobile "card" (see the interview below with the minister of industry). In effect it has had positive results from exports of vehicles but also with the manufacturers of automobile equipment, such as Tudor (batteries), Michelin, Valeo, Robert Bosch, etc. While it is dominated by foreign firms, this sector is also facing a new situation.

Antonio Escudero, president of the Spanish Association of Manufacturers of Equipment and Components for the Automobile Industry (SERNAUTO), noted that "the end of 'tax adjustments' should be compensated for by the decline in customs duties on steel products which we use. The share of Spanish components in our automobiles has fallen from 45 to 22 percent in 10 years. That means that we should increase our exports rapidly in any case."

Another strategic industrial sector involves the production of equipment goods. Enrique Kaibel of SERCOBE observed: "Today there are 350 companies which manufacture all kinds of equipment, from movable overhead cranes to small carts, and they export 42 percent of their production, compared to 10 percent in 1975." Some regrouping of these companies has taken place over the past few years, and efforts have been made to obtain assistance from French companies to strengthen Spanish technology in certain areas (the Alsthom Company, for example, was asked for help in producing railroad equipment.). Enrique Kaibel continued: "Over the middle term, we should abandon the production of extended series of equipment and concentrate on more sophisticated equipment." He mentioned a few other opportunities: machinery in the energy field (Spain is already able to handle some 85 percent of nuclear technology.), petrochemical equipment, public works equipment, railroad equipment, and robotics.

To make up for technological lags in the automobile and equipment goods sectors, the Spanish strategy involves stimulating domestic firms. Investment

in the electronics and data processing industry went from 140 million francs to 1.1 billion francs between 1983 and 1984, while exports in this sector went up from 2.5 to 7.5 billion francs during the same period. The national plan inaugurated in 1984 is based on the Telefonica Group (microelectronics and data processing); Inisel, the new state-owned holding company (professional and military electronics and computer software for industry); and a few technically advanced companies such as CESELSA or Page Iberica (see tables below). The plan for advanced automation undertaken in 1985 is based on cooperative efforts between the SSII Company (artificial intelligence), the laboratories of the CSIC (the Spanish equivalent of the French National Center for Scientific Research), the Ministry of Industry, and private Spanish companies.

Established in 1979 in Madrid, the Eliop Company (75 employees, 50 million francs in business turnover) is part of the elite group of high technology firms. It produces programmable robots and electronic command systems. Lopez Mesa, Eliop's director, explained: "We anticipate 30 percent growth each year." Eliop has just displayed a new family of robots in Paris. It is going to build another factory this year (involving a 20 million franc investment). It also is counting on increasing its exports to Europe and on developing relationships with foreign companies.

Will a sprinkling of government subsidies and a zest for dynamic small and medium sized industrialists be enough to give wings to Spanish industry? From all available evidence, the provision of foreign support will be decisive. The agreements reached with AT&T and Fujitsu and the desire to participate in the major projects of European technology may be explained in part in this way. However, other and equally essential changes are presently having an impact on Spanish industrialists which is not always apparent.

The managers are the first of these advantages. On the front page of the newspapers and in television studios a resolutely modernist generation is seeking to grasp and already holds many of the reins of command, both in the public as well as the private sector. Minister of Industry Joan Majo is Majo is himself a former company director. Trained more usually in American business schools than on the benches of the Franco regime, these business leaders are not afraid of talking about competitiveness, profits, and world strategy. Wasn't it due in large part to this international culture that Spanish companies invested 7.5 billion francs abroad between 1982 and 1983, or more than the total invested abroad between 1963 and 1982? Enrique Kaibel stated: "Is Spain an island? That is not realistic. If we want to make an impact, we must be present in all markets."

A second positive factor: quality and marketing are very much in fashion. Until recently limited to the factories of foreign companies operating in Spain, business circles interested in quality are gaining ground. With his bristling mustache thrusting forward Julio Pascual, secretary general of CONFEMETAL, has made himself an ardent advocate of quality. Within the employers organization which he directs many practical courses and about a dozen training programs were organized in 1985 on this subject. This teacher, known for his liberal ideas, declared: "It is still very embryonic, but it is moving ahead." Juan Luis Croissier, the president of the INI, also believes

in quality. A contract for technical assistance in the shipyards was signed a few months ago with Mitsubishi. It concerns the organization of the work and quality control.

In the steel industry enormous investments have been made to improve the quality of steel in the course of production. Juan Luis Croissier argued: "We need to go farther in providing better products to our industrial consumers." Regarding marketing, Ramon Merce, the boss of Myurgia, a producer of perfumes and personal hygiene products in Barcelona, commented: "Quality is one of the keys to our image as a leader in foreign countries." With 800 employees and a business turnover of 320 million francs, this company would like to make its line of perfumes better known in Europe, while adapting its products to European cosmetics standards. He added: "We are still suffering too much from the reputation of being at the bottom of the quality range."

A final advantage: Spanish industrialists benefit from a more flexible financial and tax system than may appear at first. Commercial paper is already in current use between companies. All investments in property and real estate are presently deductible from taxes on profits for the 1985-1986 fiscal year. Furthermore, there is no limitation on credit. The regulation of the investment market takes place through the use of rates which are on the low side and which amount to about 15 percent for long term loans, compared with 23 percent in 1980.

The large number of Spanish banks long involved in the company capital market makes it possible to ensure the essential replacement of company funds and discreet contacts with banks. The expansion of the banks to the foreign trade field also provides the possibility of undertaking complex financial operations with foreign partners. Finally, the Madrid Stock Exchange is waking up. In 1984 it was one of the most profitable in the world, and it is getting ready to play a more dynamic role in the collection and use of savings.

Certainly, there is an economic crisis, there are 3 million unemployed, and there are regional imbalances and weaknesses in the training programs. Spanish industry is still convalescent. However, when it is exposed to the fire of European competition, it can count on these advantages in specializing in products in the medium quality range and in offering a good platform for production in Europe. Is this a correct or painful choice? Julio Pascual concluded: "We have enormous potential for productivity and growth to exploit. However, we should have no illusions for all of that."

Table 1 - Annual Flow of Foreign Investment in Spain (in Billions of Francs)

1979	4.0	1982	9.1
1980	4.2	1983	7.9
1981	3.9	1984	13.3

Source: Economic Expansion Section, French Embassy, in Madrid

Table 2 - Principal Foreign Investors (in Percentages of the Annual Flow)

	1983	1984
United States	11.7	13.8
Panama	2.2	13.0
Federal Republic of Germany	13.1	11.0
Great Britain	6.8	8.2
Switzerland	9.1	8.1
Spain	12.2	7.8
Japan	2.7	6.6
France	18.6	5.8
Netherlands	6.7	5.8

Source: DGTE

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ECONOMIC

SWEDEN

BANK FORECASTS: ECONOMY HEADED IN RIGHT DIRECTION

Stockholm DAGENS NYHETER in Swedish 19 Mar 86 p 10

[Article by Jan Magnus Fahlstrom]

[Text] Everything in the Swedish economy seems to be moving in the right direction. Growth, inflation, employment, interest rates, and the balance on current account seem to be shaping up decidedly better than there was reason to think they would as recently as the end of last year.

The Postal and Credit Bank (PKB) and the Banking Company of Swedish Savings Banks (SpB) are in complete agreement on that point in the reports they issued on Tuesday. But both banks emphasize that this does not mean that Sweden's economic problems are over and done with, only that we have gotten a breathing space that we ought to take advantage of.

It was chiefly the drop in petroleum prices that led the bank economists to sharply revise their November and December forecasts in a favorable direction. The other factor helping us along--the drop in the value of the dollar--had already been included in their calculations, although that decline has been faster than they anticipated.

The SpB now expects an average dollar rate of 7.15 kronor during 1986. The PKB anticipates that the dollar will stand somewhere in the vicinity of its current value--7.22 kronor--at the end of the year.

Stabilized Price

As far as the price of petroleum is concerned, the PKB is working on the premise that it will stabilize at around \$15 per barrel during 1986 and remain there for the next few years. But "\$15 is a round figure that was chosen to represent a range between \$13 and \$20, and no one should get the false impression that it is a precise figure."

For its part, the SpB is assuming an average price of \$18 during 1986. So the two reports are also in close agreement on that point. They also agree that the changes that can be expected in the price of petroleum and the dollar rate will be small in relation to the decline that has already occurred.

Based on its stated assumptions, the PKB's report predicts that the price per barrel of petroleum will decline from an average of 232 Swedish kronor in 1985 to 124 kronor in 1986. All other things remaining equal, that would result in a savings of 14 billion kronor, "like manna falling on the Swedish people from heaven."

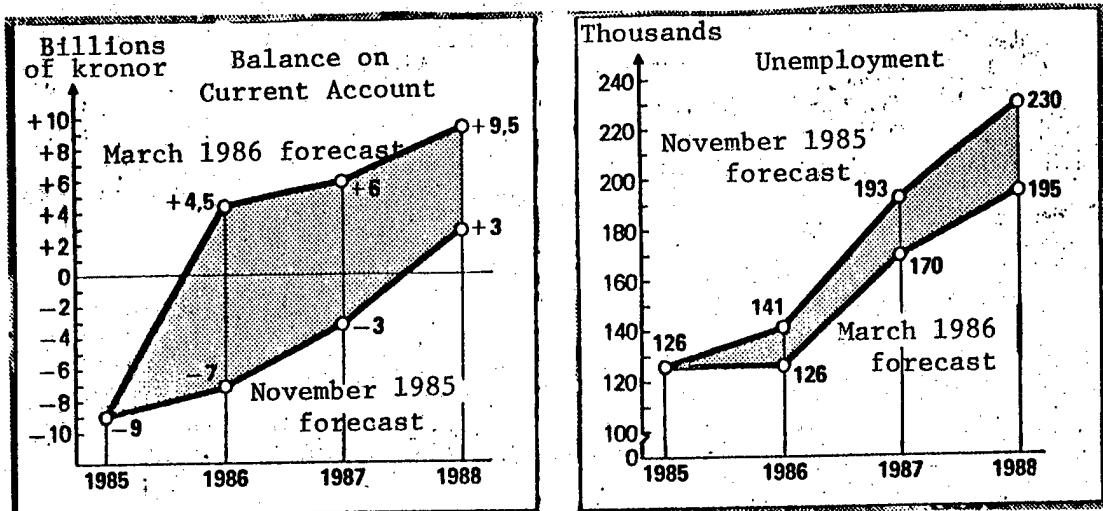
### Forest Industry

But the PKB points out that things are not going to develop that favorably. Since all our foreign competitors have benefited from the same drop in the price of an important import, the price of Swedish export products will be lower than it otherwise would have been.

Added to that is the fact that the decline in the dollar is holding down the Swedish forest industry's prices by increasing the competition from North America.

On the other hand, the lower dollar rate will reduce the cost of our interest payments abroad. Taking everything together, the PKB expects Sweden's national economy to record a net gain of just over 10 billion kronor from what has happened to petroleum and the dollar.

The balance on current account, which according to the November forecast should have shown a deficit of 7 billion kronor for 1986, is now expected to show a surplus of 4.6 billion kronor. The prospects for 1987 and 1988 also look much more favorable (see the graph). The SpB, which in December was predicting a current account deficit of 5 billion kronor, now thinks there will be a surplus of 3 billion kronor.



Forecasts for the Swedish economy now look considerably brighter than they did only 4 months ago. The balance on current account is expected to show a surplus for 1986, and unemployment is not expected to increase.

Here are some other key figures for 1986 that shed light on the effects of what is called "OPEC III" by the SpB and "the oil shock in reverse" by the PKB. The figures are percentages, with the figures from the November and December forecasts shown in parentheses:

Economic growth: PKB: 1.8 (1.0); SpB: 2.0 (1.0).

Industrial investment: PKB: 5.0 (2.0); SpB: 6.0 (5.0).

Private consumption: PKB: 2.3 (1.0); SpB: 2.5 (1.5).

Consumer prices as an annual average: PKB: 4.0 (5.0); SpB: 4.5 (5.5).

Consumer prices from December to December: PKB: 3.0 (4.8); SpB: 4.0 (5.0).

Unemployment according to the PKB: 1986: 2.9 (3.2); 1987: 3.9 (4.3); 1988: 4.4 (5.1).

#### One-Time Occurrence

But the PKB emphasizes strongly that the economic effects of the drop in oil prices are a one-time occurrence. They will boost activity and reduce price levels during 1986 in comparison with what would have happened otherwise. On the other hand, our higher growth rate and lower rate of inflation will not be permanent unless stronger confidence in the future brings increased investment and greater scope for consumption makes the anti-inflation policy easier.

And the SpB warns: "It is chiefly factors from outside that give grounds for confidence in the Swedish economy in the short term. When the effects of that injection eventually diminish or cease entirely, it is important that the conditions already be created for a stabilization of Sweden's own problem areas: inflation and the balance on current account. It is important to take advantage of this newly won breathing space."

#### Purchasing Plans Included in New Barometer

Better quality, service, and reliable delivery are just as important as price if domestic subcontractors to Swedish industrial firms are to succeed in taking market shares away from foreign competitors.

That is the opinion of spokesmen for Swedish big industry, according to the "purchase barometer" included by the SpB in its latest economic report.

Following an American practice that is new to Sweden, the SpB asked 40 large Swedish firms in industry and retailing about their purchasing plans for the next 6 months.

#### Consumption up

The report says that overall, a definite increase in purchasing and production volumes is expected in Swedish industry during the period covered by the

forecast. The picture is clearest in the engineering industry. But none of the industries represented (comprising the iron and steel, forest, and construction industries, chemicals, electronics, and miscellaneous industry in addition to the engineering industry) expects to reduce its production.

Also of interest, according to the report, is the retail trade's generally positive view of sales prospects. It therefore seems justifiable to predict a relatively strong increase in private consumption even during 1986.

Concerning the competitiveness of Swedish subcontractors, 50 percent of those responding to the questionnaire (measured by the firms' production value) said that the devaluation is still bringing benefits. Only 20 percent considered the price situation worse than in the fall of 1982.

#### Other Factors

But the participants in the panel emphasized that other factors play just as big a role as price in competitiveness. The SpB considers it noteworthy that a large number of firms want to see a considerable improvement in the reliability of deliveries by Swedish suppliers.

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ECONOMIC

SWEDEN

## LARGE TRADE SURPLUS, HIGH INVESTMENTS SEEN FOR 1986

Stockholm DAGENS NYHETER in Swedish 20 Mar 86 p 10

[Article by Bjorn Anders Olson]

[Text] Sweden may have a very big surplus in its trade balance with the rest of the world this year. Exports will rise very rapidly, and at the same time, imports will decline. Industrial investments will also continue to rise.

That very bright picture--one of a great many recently--is revealed by the SCB's [Central Bureau of Statistics] surveys of Swedish industry.

Industry believes that Swedish exports, the value of which rose by 6 percent during the first 2 months, will accelerate during the year. For the year as a whole, the value of exports will rise by 11 percent. Thanks to small increases in Swedish export prices, export volume--which is actually more important than value--will rise by a full 8 percent in comparison with last year. That is almost three times larger than the increase last year, when export volume was up by 3 percent over 1984.

### Imports Down

The largest increase in volume--12 percent--will be accounted for by the engineering industry. Paper and paperboard will show a 7-percent increase in export volume, iron and steel products will rise by 6 percent, and chemical, rubber, and plastic products will increase by 5 percent, while the exported volume of paper pulp will in fact drop by 3 percent.

Combined with that positive development are industry's views on imports. The big drop--a 10-percent drop in value during the first half of the year--will in fact be due essentially to falling oil prices. But even in the long run, imports of engineering products, for example, will decline by 6 percent, while food imports will drop by 10 percent, and so on.

When the Banking Company of Swedish Savings Banks and the Postal and Credit Bank published their revised forecasts last Tuesday, they expressed the belief that exports would rise by about 4 percent. According to industry, however, the figure will be twice that at 8 percent.

## Twice the Surplus

The banks felt that imports would increase by about 5 percent. The firms, which, it is true, are in the habit of underestimating imports, are more inclined to think that the volume of imports will not change.

The Swedish trade balance, which showed a surplus of 16 billion kronor last year, should end this year at 27 billion kronor, according to the Banking Company of Swedish Savings Banks. A weighting of the export and import survey indicates that the surplus might be almost twice that. We will know the answer in a year's time.

As far as investments are concerned, however, industry is more pessimistic than the banks, both of which feel that industrial investment will rise by 5 or 6 percent this year. The survey points to almost no change in this year's investment level in comparison with last year's.

## Highest Level

The pulp, paper, and paperboard industry showed an exceptionally high investment level last year. If those branches of industry are excluded, the volume of investment by the rest of industry should rise by 5 percent--and that is the figure shown in the forecast by the banks.

All indications are, therefore, that investments this year will reach their highest level since the boom year of 1975.

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ECONOMIC

SWEDEN

LOW OIL PRICES, INTEREST RATES MAY OVERHEAT ECONOMY

Stockholm DAGENS NYHETER in Swedish 20 Mar 86 p 10

[Commentary by Jan Magnus Fahlstrom: "Feldt's Tough Dilemma"]

[Text] Is an excessively rapid rise in private consumption threatening to ruin the chance to achieve better internal and external balance in the Swedish economy that has been provided by lower oil prices and a cheaper dollar?

Bengt Dennis, governor of the Bank of Sweden, is worried that the recent reductions in interest rates, which were put into effect to stimulate investment, will drive consumption up too high. But the remedy, he says, is not an increase in interest rates but a tighter financial policy.

A tightening up of financial policy is also anticipated in the two latest bank forecasts--those by the Banking Company of Swedish Savings Banks (SpB) and the Postal and Credit Bank (PKB).

The government's supplementary budget bill, which will be submitted in April, should include a number of restrictive features, according to the SpB: "It is necessary that there be an economic policy to prevent consumption's role as a motor of growth from being further encouraged" and that the government live up to its goal of seeing to it that increased demand and growth arise primarily from investments and exports.

The PKB expects real after-tax incomes to rise by 2.8 percent this year if no countermeasures are adopted, but it considers that to be more than government authorities can accept. "We have therefore assumed that purchasing power corresponding to 0.5 percent of disposable incomes will be taken away."

The minister of finance wrote in January's budget proposal that the government would not "hesitate to adopt corrective measures" if there were runaway wage increases. During the National Economic Society's debate on the budget, he said he had plenty of weapons in his arsenal in case a tightening up of financial policy were required.

What weapons? A tightening up of financial policy can mean measures aimed directly at private consumption--read tax increases. Or it can also make room

for an increase in private consumption without overstraining the national economy by holding down public consumption.

What the latter means in plain language is reduced subsidies, and what that means in practice is primarily subsidies to municipalities, but the state may also withhold local tax money to force the municipalities to show restraint in their expenditures. Doing so also hits private consumption indirectly.

The problem here is that certainly many, but not all, municipalities have plenty of money. It is hard to come up with a system that does not treat everyone alike--one that will spread the burden in some manner.

On the whole, it can be difficult to tighten financial policy by means of spending cuts that will hit the mark and work sufficiently fast at the same time. It is easier and faster to increase taxes that are aimed directly at private consumption.

Removing purchasing power equivalent to 0.5 percent of disposable incomes--which is what the PKB assumes the government wants to do--will require tax increases high enough to soak up about 2 billion kronor.

Increasing the value-added tax by 1 percent would yield 3 billion kronor. But in the election campaign, Kjell-Olof Feldt made a firm commitment that there would be no increase in the value-added tax in 1986. If, despite that, he were to come up with such a proposal now, he would have to endure a rough storm of criticism for breaking his promise. Besides, it is not likely that such a proposal could be gotten through Parliament.

That leaves selective taxes. The big items here are the taxes on oil and gasoline, which yield about 18 billion kronor at current rates, and those on liquor, wine, and tobacco (about 11 billion kronor).

We can safely assume that alcohol and tobacco are in the danger zone. In their case, there is no major opposition to be overcome in Parliament. A 10-percent tax hike on that immoral consumption would bring in about 1 billion kronor.

Increasing the tax on oil and gasoline is a more sensitive matter. A tax hike would affect industry's production costs, homeowners, and families with children and hit hard at thinly populated areas, where driving distances are long.

But the "petroleum bill" will be about 10 billion kronor less this year because of lower oil prices and a cheaper dollar. Taking back part of that through higher taxes would not be so expensive. Besides, it would fit in with the energy policy's goal of holding back our dependence on oil. Oil and gasoline are also--or should be--in the danger zone. But any tax increase has the disadvantage of driving up inflation.

Then, of course, there is also another way out, and that is to reduce the rise in disposable incomes from 2.8 to 2.3 percent by agreeing on an income policy

that would hold down wage increases with the promise that wage earners would be spared any tax increases.

Such a step would also help preserve Swedish competitiveness. But surely something like that is too much to ask for, is it not?

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ENERGY

FRANCE

### 'DISASTROUS' CONSEQUENCES OF LOWER OIL PRICES

Paris LE FIGARO-MAGAZINE in French 22 Feb 86 pp 80-82

[Interview with author Albin Chalandon by Georges Suffert; date and place not given]

[Excerpts] [Question] In the book that you are currently bringing out, "Quitte ou double" [Double or Nothing] (Grasset), your attitude toward the French government, and in particular toward the socialist government, is one of impressive yet calm severity. You accuse government officials of perpetual disorder.

[Answer] That is the truth. The scope of imagination possessed by the higher officials who govern a nation is conservative. Between 1945 and 1955, things went well because we were in a period of reconstruction. Whence the accelerated expansion. But what was being reconstructed? The pre-war industrial world. The government had to bring order into the affairs of its powerful basic industries such as coal and steel. Twenty years later, French coal has been left to its own devices because it has proven to be too expensive; and our iron industry continues to lose money. May I draw your attention to the fact that all other industrial nations have surmounted the iron crisis; France is the only nation that subsidizes a bottomless pit, and also the only one that has invented the concept of the "fifth team" in an iron-working enterprise. It is clear that all the money we have thrown into this bottomless pit should have been devoted to educating and training people. Today we need minds and investments. We have not educated the minds and we have squandered our investment potential.

[Question] So we are going to witness new bankruptcies?

[Answer] That is not definite. In visiting plants in the north I am impressed to observe that the older firms, by and large, are ready to invest, to be refurbished from top to bottom, but they do not have a sufficient financial margin. And it is in that regard that the socialist government is a disaster. As long as the socialists are in power, the directors of these firms will not take sufficient risks. Today they are afraid of the government; for them it is a permanent threat, a mixture of hair-splitting bureaucracy, fiscal inquisition, etc. If you relax the restrictions, many people will agree to take risks these days. All the more so because beginning with its era of severity, the government did take some intelligent steps. Let me say that there are some islands of profit and modernization in a sea of losses and decrepitude. In any case, I as-

sure you that to some extent flexibility already exists. In the business firms in my region, when an unexpected order arrives, no one argues. They manufacture the product as quickly as possible, and no one protests the extra hours, the Saturdays and Sundays. The client has truly become king.

[Question] According to you, then, the bottom line is the rise of computer technology that has deprived the government of its role as entrepreneur?

[Answer] Let us say that computer technology has accelerated the phenomenon because it has created small, mobile enterprises. It is a question of sticking to the terrain, of adapting oneself to the demands of a shifting clientele. Can you imagine the financial pundits setting about exploring this jungle? They would "plant" themselves in the smallest holes. As for the socialists, they are the champions of budgetary gerrymandering.

A Third of the Hospitals Are in Debt

[Question] Explain that to me!

[Answer] The list is too long. I am going to give you a few examples. With respect to the iron industry that we were just talking about, for example, a series of budgetary reports have made possible a transfer of the 1985 balance to 1986 and the 1986 balance to 1987, in consideration of which the next government will be the one to receive the bill. Another case, social security. Do you know that a third of the hospitals do not pay their tradespeople? Or, put another way, their payments are a year in arrears. This is deficit financing. There again, it will be up to the new majority to settle accounts. The same thing is true of the shipyards; the government guarantees the upkeep of their sites (of which there are five), so the workers are under the impression that there is no danger of their not remaining there, and the payment of the bill is put off until the spring. Jacques Chirac has brought it to our attention that subway fares will be increased on 17 March. This is rather spectacular. And it is true for most of the public services.

[Question] Don't all governments cheat during elections?

[Answer] Of course. The question is to what extent. I limit myself to taking note of the fact that the socialists do not take halfway measures. In terms of inflation there are between two and three degrees camouflaged under the present false figures.

[Question] In your book, however, you show that one can despoil the government. You did so in the matter of highways, low-cost housing, etc.

[Answer] Right. One can move the mountains of bad habits, but only slightly. When I proposed thousands of kilometers of new highway construction, the minister of finance nearly had a heart attack. But he recovered. Today the highways exist. For the first time--in our day--the public works enterprises discovered that they could work under government supervision. It is this revolution that we must henceforth extend through the entire country, which is psychologically prepared for it, it seems to me. We do not have much to lose; it's a case of "double or nothing."

ENERGY

NORWAY

### CENTRAL BANK DIRECTOR ON COUNTRY'S OIL PRODUCTION POLICIES

Oslo AFTENPOSTEN in Norwegian 13 Mar 86 p 6

[Op Ed Article by Hermod Skanland, head of the Central Bank: "A Norwegian Policy for Oil Production"; first paragraph is AFTENPOSTEN introduction]

[Text] "The conditions for the recommendations of the Petroleum Report which were discussed in the Storting one year ago have weakened, and we do not have a basis for a long term petroleum policy in this country," points out the head of the Central Bank, Hermod Skanland in today's op ed article, in which he discusses the events which have taken place and what further should be done.

It will soon be three years since the Tempo Committee put forth its report about the future of petroleum activity, and one year ago the Storting discussed the Petroleum Report, which was the outcome of the Oil and Energy Department's dealing with the issue. During the time which has passed we have gained experience which can be the basis for saying "once again" to the conclusions which were reached.

The Tempo Committee concluded that the main criterion for the tempo of petroleum production should be based on how dependent on oil we want to allow ourselves to become. Therefore we must have a long term goal for state income from petroleum operations seen in relation to the country's total income. Investments must be adapted to this, but because the relationship between investments and income is uncertain, a petroleum fund must be established which could serve as a buffer between variations of income and planned use of income.

The Petroleum Report took another route. They considered that the relationship between investments and income was too uncertain to rely upon. Instead they chose to mainly consider the offshore-directed industries as a basis for the petroleum policy, especially in view of the desire for an even and predictable level of investments. In addition, there must also be decisive consideration of incomes, as they refused to influence production by any other means than the rate of expansion.

They wanted to avoid the danger of increased dependence on oil through a "long term disconnection" between income and utilization. The outline of such a

disconnection was prepared later in the Long Range Program, but criteria were not laid down which would guarantee that it would be long term.

#### Experiences

Experiences during the past couple of years should have taught us the following:

- (1) Prices are just as uncertain as stated both in the Tempo Committee Report and the Petroleum Report.
- (2) "Disconnection" is very difficult, even within a four-year planning period such as the Long Range Program laid the foundation for. We have not developed any mechanism for "long term disconnection," and probably it can not be done.
- (3) Even during an international business boom we have not been able to control investment activity so as to avoid pressures on the offshore-directed industries.

The conditions for the recommendations of the Petroleum Report, which the Storting approved, have therefore weakened, and we are left without any basis for a long term petroleum policy.

That is more important than the fact that prices have fallen, which was predicted.

#### What Can We Do Now?

We can continue as if nothing has happened and let consideration for the offshore-directed industries be decisive.

That can mean increasing capacity which will give a production increase at a time when perhaps prices will also increase. We will again have a big increase in income which we will have few possibilities to limit the utilization of. At the same time our dependence on oil will increase.

Our other possibility is to form an oil policy which uses production rather than investments as its basis.

It is important in this connection to understand that production of oil and gas is only partly production in the usual sense that creates profit from work and capital. It is mostly a transformation of assets from lying under the sea floor to bringing them up for use. In 1985 the relationship between the two components was about 1:2. For society in the long term it is the extent of this transformation of assets which is the most important element of the petroleum policy. It is this asset which we must try to get the most out of.

#### Evaluation

From this viewpoint and based on today's oil prices we can evaluate our production policy assuming higher as well as unchanged oil prices in the

1990's. In both cases we must also evaluate the consequences of our being wrong.

If we expect higher oil prices in the 1990's it should be sensible to limit production now in order to be able to produce more at higher prices later. Against this there can be the objection that we must expect the accrual of interest from income which we produce now until a subsequent time later, but this objection has little validity if we use up the money. If we are wrong in our price expectations so that the prices remain at a lower level, nothing happens except that we adjust ourselves earlier to live with a lower oil income.

If we expect that oil prices will remain at their existing level, there is less to be gained by waiting to produce it, realizing the danger that this can mean greater dependence on gas and a weaker market position in the 1990's. If we are wrong in our price expectations we will get a new increase in income with the control problems that we have experienced, with the danger of increased dependence on oil.

#### Incorrect Conjecture

From the above reasoning, it is not so important to guess about the price. Only if we feel reasonably certain that the price will not increase is it sensible to increase production, and obviously more so if we believe that the long term trend is falling. The most common, although somewhat uncertain expectation on prices is, however, that within a 10-year period prices will again rise.

An oil production policy will require that the state utilize its authority to limit the companies' oil production. That could raise certain problems with regard to servicing the loans which have financed the investments. But in spite of everything that is a problem for the financial organizations which can be solved between the state and the companies if it is concluded that society is served by a slower rate of production than the companies have decided upon, which would give increased production until 1990.

If it is decided that it is in our national interest to limit production, for example to the 1985 level, this would fit in with the interests of other oil producing countries, but would not bring about negotiations or any other organized cooperation with OPEC. Our relations in this direction must be able to continue on the basis of reciprocal information.

Neither should it make more difficult our relations with other industrialized countries. It cannot reasonably be expected that we will destroy our future economy by producing oil in a weak market. Neither are their own financial policies so impressive--and that applies especially to the United States--that they have any reason to rejoice if we do not succeed in controlling expenses independent of income.

The production strategy implied here means that we have gone full circle and are back to a production ceiling. The Tempo Committee tried to establish a production criterion which was reasonably well founded in the national

economy, but which was admittedly of little operational effect. The Petroleum Report established a criterion which was narrowly based, which perhaps was of less effect than expected, and which would produce entirely arbitrary and probably dangerous results in the social economy when the "long term disconnection" failed. Perhaps the point of departure was not so bad after all.

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